COURT FILE NUMBERS	Q.B. No. 1884 of 2019
COURT	COURT OF QUEEN'S BENCH FOR SASKATCHEWAN
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	**FIFTH REPORT OF THE MONITOR** **MAY 6, 2020**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>**MONITOR**</u> ALVAREZ & MARSAL CANADA INC. Bow Valley Square IV Suite 1110, 250 - 6th Avenue SW Calgary, Alberta T2P 3H7 Attention: Orest Konowalchuk / Chad Artem Telephone: (403) 538-4736 / (403) 538 7518 Email: okonowalchuk@alvarezandmarsal.com / cartem@alvarezandmarsal.com <u>**COUNSEL**</u> MLT Aikins LLP 1500, 410 – 22nd Street E. Saskatoon, Saskatchewan S7K 5T6 Attention: Jeff M. Lee / Ryan Zahara Phone: (306) 975-7136 / (403) 693-5420 Fax: (306) 975-7145 Email: jmlee@mltaikins.com rzahara@mltaikins.com

ALVAREZ & MARSAL

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INTRODUCTION

1. On January 8th, 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 16th, 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 16th, 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 16th, 2020, the Court granted an Amended and Restated Initial Order (the "ARI Order") providing an extension of the Stay through to (and including) March 27th, 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 16th, 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.

6. On March 6th, 2020, the Court granted a sale approval and vesting order (the "**Auction SAVO**") authorizing the sale of certain redundant assets of located in Virden, Manitoba to Ritchie Bros Auctioneers (Canada) Ltd. ("**Ritchie Bros.**") to be included in their upcoming auction on March 31st, 2020.

7. On March 27th, 2020, the Court granted an Order providing for, among other things, approval of the Monitor's activities and proposed courses of action, approval of the fees of the Monitor and its legal counsel, an extension of the stay of proceedings to May 8th, 2020 in order to allow further time for the execution of the SISP, and an increase in the interim financing borrowing limit from $5.7 million to $6.5 million (and corresponding request for an increase to the amount of the DIP Charge).

8. On April 8th, 2020, the Court granted a partial amendment (the "**First SISP Amendment**") to the SISP to permit additional time for the Monitor to seek approval from the Court of a potential transaction to no later than April 24th, 2020.

9. On April 24th, 2020, the Court granted an additional SISP amendment (the "**Second SISP Amendment**") providing the Monitor with decision-making power in respect of timing of the timing of the assessment and identification of the successful final bidder pursuant to the SISP (prior to court approval of an offer from any such bidder.

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

PURPOSE

11. The purpose of this fifth report (the "**Fifth Report"**) is to provide this Court with information respecting the following:

    a) activities of the Monitor since the fourth report dated March 24, 2020 (the "**Fourth Report**");

    b) an update on the Morris Group's business and financial affairs;

    c) an update on the SISP process (the "**SISP Process**");

    d) an update on the claims process (the "**Claims Process**");

    e) a comparison of the Morris Group's actual cash receipts and disbursements to the cash flow forecast appended to the Fourth Report of the Monitor (the "**Third Cash Flow Forecast**") for the period March 21st, 2020 to April 30, 2020;

    f) the Applicants' updated cash flow forecast through to May 29, 2020, 2020 (the "**Revised Forecast Period**");

    g) the request for approval of the professional fees and costs of the Monitor and its legal counsel;

    h) the request for a further extension of the Stay of Proceedings to May 29, 2020;

    i) the request for approval of the Monitor's actions and activities as described in this Report; and

    j) the Monitor's recommendations.

12. Capitalized words or terms not defined in this Report are as defined in the Initial Order, the Amended and Restated Initial Order or prior reports (the "**Prior Reports**") and other orders of this Honourable Court, as the case may be.

13. All references in this Report to dollars are in Canadian currency.

TERMS OF REFERENCE AND DISCLAIMER

14. 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.

15. 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.

16. 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. 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

17. To the date of this Fifth Report, the Monitor's activities have included (among other things):

a) conducting ongoing discussions and numerous meetings and communications with Management, employees, advisors and the Companies' legal counsel regarding the Companies' business and financial affairs;

b) various and ongoing communication with the Company's key stakeholders and secured creditors and their respective legal counsel;

c) continuing involvement and increased utilization of the Monitor's independent legal counsel, MLT Aikins LLP ("**MLTA**"), primarily as a result of the enhanced powers of the Monitor provided for in the EMP Order;

d) ongoing communication with representatives of De Lage Laden ("**DLL**"), a key floor plan financing partner of the Company, and its counsel, Cassels Brock LLP ("**Cassels**"), in addressing a variety of matters discussed below;

e) various communication with the Morris Group's significant customer (dealer) located in Australia (McIntosh Distribution) and various key dealers in Western Canada and the U.S.;

f) attending and communicating with the Morris Group head office in Saskatoon for the continued monitoring of the operations of the Company, while working remotely due to COVID-19, including working closely with existing senior management; reviewing and approving sales orders, production plans, human resource matters and leading the identification and monitoring the Company's response to COVID-19 and other operational matters of the Company during the proceedings.

g) attending the premises of Morris Sales and Service Ltd. ("**MSS**") in Virden, Manitoba to implement the wind-down of the retail farm implement dealership operated by MSS; including (among other things): (i) providing termination notices and communication to MSS employees, (ii) entering into independent contractor agreements with certain former MSS employees, effective April 1, 2020, (iii) informing third party manufacturers of the wind-down of MSS and arranging for collection of their equipment and filing various notices to disclaim dealership agreements between MSS and such third party manufacturers under the *Farm Machinery and Equipment Act* ("**FMEA**"); and (iv) communicating with the landlord regarding the wind down and providing confirmation that MSS would vacate the MSS premises on or before March 31, 2020;

h) establishing updated reporting protocols within the Companies as a result of the EMP Order, including (but not limited to) disbursement approvals, cash flow reporting, margin reporting and sales reporting;

i) significant involvement and communication with the Morris Group's Human Resources ("HR") leader, with respect to employee matters and communications, along with establishing various policies, procedures and working arrangement to deal with the COVID-19 pandemic;

j) assisting the Company in pursuing an application under the Canadian Employee Wage Subsidy ("CEWS") program in order to reduce payroll costs during the CCAA proceedings and otherwise to maintain required employees and management to operate the business during the busy spring seeding season and associated upcoming production of the forecast orders from the Company's Australian dealer;

k) communicating with employees regarding the extension of the Companies' workshare agreement that was established by the Companies prior to the CCAA Proceedings;

l) reviewing the financing structure of the Companies' renewed insurance policies and negotiating same, with the assistance of senior management and the Companies' insurance broker;

m) administering the court approved SISP and working closely with the Monitor's affiliated entity, Alvarez & Marsal Canada Securities ULC ("**A&M Securities**") to implement the SISP, as previously disclosed in the Monitor's prior Reports;

n) evaluating offers from bidders in Phase II of the SISP; and

o) administering and substantially completing the review and analysis of claims filed pursuant to the Claims Process Order.

OPERATIONAL UPDATE SINCE THE FOURTH REPORT

Senior Management and Employees

18. Apart from a few exceptions, since the Initial Order, existing senior management and key employees of the Morris Group have remained substantially intact. The existing staff have been supportive of the Monitor and its attempt to facilitate the restructuring of the business and financial affairs of the Morris Group under these current challenging times. Certain of the senior management team have taken on increased roles and responsibilities, largely in the financial and accounting areas,

in light of departures of the certain executives discussed above, with the goal of stabilizing operations and creating an environment to achieve ultimate success.

19. The Monitor maintains regular weekly communication and meetings with senior management and hosts communications on a bi-weekly basis with the remaining staff.

20. With respect to the challenges of COVID-19, the Monitor, its legal counsel, and certain Morris employees have worked closely and collaboratively to formulate policies, memos and communication to all employees of Morris Group, as well as communication to key external stakeholders of Morris, including various dealers and vendors, with the view to ensuring that satisfactory protective measures are in place for those involved in the CCAA Proceedings.

MSS Wind-Down Update

Overview

21. As mentioned in previous Monitor's Reports, on March 5th, 2020, the Monitor announced the wind-down of the retail farm implement dealership operated by MSS in Virden, Manitoba primarily as a result of negative cash flow from operations, as well as other strategic considerations.

22. Since the date of the Fourth Report, the Monitor has continued to work with its independent contractors to divest the remaining assets and inventory of MSS. The Monitor anticipates that all of the remaining assets and inventory will be sold and/or relocated to MIL locations by May 31, 2020.

Richie Bros. Auction

23. Pursuant to the Auction SAVO granted by this Honourable Court on March 6, 2020, certain of the MSS Redundant Assets were sold through auction in Branden, MB by Ritchie Bros. auctioneers on March 31, 2020. The auction resulted in net proceeds of approximately $665,000 to MSS after deducting costs of transportation, refurbishment, commissions and other fees.

24. Subsequent to the granting of the Auction SAVO, an equipment manufacturer, known as Kubota Canada Ltd. ("**Kubota**") contacted the Monitor and its legal counsel to request to arrange for the pick-up of its remaining unused inventory located at the MSS location. Kubota has picked up the majority of its unused equipment with arrangements ongoing to pick up its remaining unused equipment and parts in the coming weeks.

Third-Party Manufactured Equipment Financiers

25. Pursuant to Manitoba's FMEA, MSS (by the Monitor) delivered notices to various third party equipment manufacturers, including Kubota Canada Ltd., MacDon, Schulte, and Farm King (among others), in order to commence the process required to facilitate the return of third party branded equipment to such manufacturers. The objective of this initiative is to achieve the result contemplated under the FMEA whereby these manufacturers repay to MSS the following:

a) For unused farm machinery or farm equipment, 100% of the invoice price plus the transportation costs paid by MSS, less outstanding amounts owing by MSS to the manufacturer; and

b) For unused parts, 90% of the current net price.

26. On March 1, 2020, MSS (by the Monitor and its legal counsel), delivered notices to Kubota Canada Ltd., MacDon and Lemken of the intention of MSS to terminate the respective dealership agreements between MSS and such third-party manufacturers. On March 18, 2020, MSS (by the Monitor and its legal counsel) delivered similar notices to certain third-party manufacturers with whom MSS had no written dealership agreement in place.

27. The Monitor anticipates that, by implementing the above process and utilizing the FMEA, the Company may generate approximately $194,000 CAD in net cash for the Morris Group in the CCAA proceedings, which is expected to be received in the next two (2) months. The estimated net proceeds have subsequently been reduced since the date of the Fourth Report due to potential rights of set off

available to the manufacturers, which primarily relate to purchase money security interests and trade credits owing from MSS to various manufacturers. For whole goods and parts that are unable to be returned to manufacturers, the Monitor is seeking auctioneers' proposals to purchase these assets outright. The Monitor does not anticipate the proceeds of these sales to exceed $115,000.

28. The Monitor has been in contact with all of these third-party manufacturers and anticipates that all equipment and parts will be returned to the manufacturers or sold by May 31, 2020.

29. The Monitor entered into an agreement on April 20, 2020 with McDougall Auctioneers Ltd. ("**McDougall**"), to sell the remaining capital assets of MSS (shop equipment, furniture, fixtures and used automobiles) for approximately $40,000 plus applicable taxes.

Vendor Payment, Accounts Receivables Collections and Sale of Equipment

30. Within the CCAA Proceedings, the Companies have been making efforts to pay invoices to their suppliers and vendors on a current basis. As required by the DIP Facility, the Monitor is reviewing and approving all expenditures.

31. The Companies continue to sell certain of their equipment to their major dealers in the normal course, along with various parts and inventory to its depots. From a parts perspective, the Companies are utilizing raw materials and parts on hand to supply the majority of parts orders and where required are purchasing additional components to satisfy parts orders.

32. The Companies continue to actively pursue the collection of their accounts receivable. As at March 31, 2020, the Companies maintained approximately $1.7 million of trade accounts receivable due from various dealers across Canada, the U.S. and Eastern Europe. The vast majority of the $1.7 million is due from dealers primarily in Canada and the U.S. In addition to the $1.7 million, MIL is owed a significant receivable from its Australian dealer as further discussed below.

Australian Dealer Accounts Receivable

33. As discussed in prior Reports, the Company has a long-standing material business relationship with a dealer in Australia (the "**Australian Dealer**"). This relationship has lasted for over 29 years and has been a significant contributor to the revenues generated by Morris over the years.

34. As at March 31, 2020, the Companies have issued to the Australian Dealer approximately $12.0 million of invoices for products shipped by Morris Group to the Australian Dealer over the past nine to twelve months. These invoices became due and payable on April 30, 2020.

35. Shortly after the Filing Date, the Monitor began to initiate direct communication with the Australian Dealer, together with the existing management of Morris Group.

36. Subsequent to the initial conversations and communication between the Monitor and the Australian Dealer, upon the EMP Order being granted on February 18, 2020, the Monitor began to take a more active role in discussions with the Australian Dealer in order to ensure timely payment of the accounts receivables scheduled to become due and owing to Morris Group on April 30, 2020.

37. The Monitor engaged in discussions with the Australian Dealer in order to come to a resolution regarding the outstanding $12 million in accounts receivable owed to Morris Group by the Australian Dealer. This amount has not yet been paid by the Australian Dealer. Should these accounts receivable not be paid by the Australian Dealer to Morris Group, the Monitor will be considering alternative options for collection. Even if the accounts receivable from the Australia Dealer are not collected within the Revised Forecast Period, Morris Group is still forecasting sufficient liquidity to operate should it continue to have access to the available DIP Financing as discussed further below.

Communication with Senior Lenders and DLL

Senior Lenders

38. Throughout the CCAA Proceedings, the Monitor and its counsel have held various communications with lenders to Morris Group such as BMO, Avrio Subordinated Debt General Partner II Ltd. ("**Avrio**") and Farm Credit Canada, with respect to the CCAA Proceedings and the SISP.

39. Currently, the Company is reporting to BMO, as the DIP Lender, in accordance with the DIP Facility agreement, including bi-weekly cash flow reporting along with margin reports. The Monitor has been assisting the Company in the preparation of this cash flow reporting to BMO.

40. The Monitor has also been updating these lenders from time to time with respect to the SISP.

DLL and Floor Plan Financing

41. The Monitor's discussions with DLL have been limited since the Fourth Report. DLL has chosen to not provide any floor financing to Morris Group on any new sales within the CCAA Proceedings. As a result, the Monitor has not paid any of DLL's pre-filing claims, including interest owing as a result of pre-filing floor plan financing arrangements.

42. The Monitor has contacted certain other floor plan financing firms as a potential viable alternative source of floor plan financing for Morris Group. To date, Morris Group has been unable to secure any new sources of floor plan financing.

UPDATE ON THE SISP

Overview

43. Pursuant to the SISP Order approved on January 16, 2020, the Monitor, in consultation with the Company, initiated a number of initial marketing activities.

In consultation with the Company and with the assistance of A&M Securities, the Monitor prepared and disseminated notices of the SISP Process ("**SISP Notices**") both through Newswire as well as various other news outlets identified in the SISP Order. In addition to the SISP Notices, the Monitor, in consultation with the Company, prepared a Teaser and Non-disclosure agreement (the "**NDA**") in a form acceptable to the Company and the Monitor.

44. In consultation with the Company and A&M Securities, the Monitor prepared an initial list of potential bidders, including strategic parties, private equity firms, alternative lenders and liquidators (collectively, the "**Prospective Bidders**") for the Company's review and approval. Commencing January 27, 2020, pursuant to the SISP Order, the Monitor communicated the Teaser and the NDA to the Prospective Bidders.

45. Although previously disclosed in prior Reports, the Monitor has summarized the extensive, broad-based Sale Process for the Morris Group and following timelines and milestones of the SISP:

a) **January 27th, 2020**: Commencement of the marketing process of the SISP, whereby the Monitor provided a teaser and NDA package to all pre-approved Prospective Bidders and published a notice of the SISP in national and local newspapers across Western Canada and in other on-line media outlets;

b) **March 9th, 2020**: Phase 1 bid (non-binding) deadline, whereby Prospective Bidders were required to submit their Phase 1 bid in order to be eligible to move to Phase II (as further described below). In consultation with the Senior Lenders and their respective counsel, the Monitor proceeded with three confidential parties (the "**Phase 2 Bidders**") into Phase 2 of the SISP. The Monitor also communicated to those parties who were not qualified to enter Phase 2 given the lower relative value of their bids;

c) **April 10th, 2020**: Phase 2 bid (binding) deadline for submission of Phase 2 Bids"). The Phase 2 Bidders were required to perform additional due diligence in order to be able to submit a binding Asset Purchase Agreement by the Phase 2 Bid Deadline. The Monitor received two submissions by the April 10th, 2020 Phase 2 Bid deadline. The Monitor and it counsel reviewed these Phase 2 Bids and conducted follow up conversations with the Phase 2 Bidders in order to clarify certain terms of their Phase 2 Bids and the remaining due diligence required. The Monitor determined that neither of the Phase 2 Bids complied with the requirements of the SISP in a manner which would permit the Monitor to seek court approval of same. As a result, the Monitor and counsel, with consent of the Senior Lenders, sought an extension of the deadline requiring selection of a successful bidder from April 15, 2020 to April 24, 2020;

d) **April 24th, 2020**: **N**either of the Phase II Bidders were able to provide a qualified final offer (APA) acceptable to the Monitor by the April 24, 2020 deadline. Accordingly, the Monitor sought and obtained court approval to further extend the acceptance of an offer to a date left to the discretion of the Monitor;

e) **May 1st, 2020**: The Monitor accepted and counter-signed two Asset Purchase Agreements (the "**Subject APAs**") which had been submitted by one of the Phase 2 Bidders (the "**Subject Phase 2 Bidder**"). The Subject APAs were subject to certain conditions. However, they were supported by the Monitor and the Senior Lenders;

f) **May 4th, 2020**: The Monitor was advised by the Subject Phase 2 Bidder that financing arrangements could ultimately not be agreed to between the Subject Phase 2 Bidder and its proposed lender. Accordingly, the transaction could not close by the Outside Date of May 11, 2020 contemplated in the Subject APAs, the Outside Date would not be extended and the Subject APAs were therefore incapable of completion.

46. As a result, the Monitor currently does not have an acceptable offer derived from the SISP Process. The Monitor continues to explore other options, including further discussions with bidders who previously expressed an interest in the SISP and other operational and restructuring alternatives.

47. A summary of the Phase 2 proposals received by the Monitor prior to the Phase 2 Bid Deadline is included in a Confidential Appendix to this Report.

Confidential Appendix and Temporary Sealing Order

48. As described above, the Monitor has included in a Confidential Appendix 1 to this Report a summary of the Phase 2 proposals received by it.

49. Confidential Appendix 1 contain sensitive commercial information which, if disclosed to third parties prior to the closing of a sale, could materially jeopardize the Monitor's efforts to attract future offers in this CCAA Process and could materially jeopardize the value that can subsequently be obtained. Accordingly, the Monitor is respectfully of the view that it is appropriate that this Honourable Court grant a Sealing Order in relation to Confidential Appendix 1.

UPDATE ON THE CLAIMS PROCESS

50. On January 16th, 2020, the Claims Process Order was granted by this Honourable Court and provided for a process to prove all claims as against the Morris Group.

51. Since the Fourth Report, there has been little activity with respect the claims process. As discussed in the Fourth Report, there were eleven (11) claims that were previously under review, revised or disallowed. Updates with respect to these eleven (11) claims are as follows:

a) One (1) claimant with a claim that was under review had subsequently conceded that its claim was unsecured and advised the Monitor of its intention to amend its secured proof of claim to an unsecured proof of claim. As at the date of this Report, the claimant has not submitted an amended proof of claim;

b) Three (3) claimants that had filed a notice of dispute have also filed notices of applications to challenge the notices of revision and/or disallowance issued by the Monitor. The Monitor, in consultation with its legal counsel and the Company, had revised the claim of 1742009 Alberta Inc. ("**AgriTerra**") from secured to unsecured. AgriTerra has subsequently filed a notice of dispute claiming a constructive trust in the amount of $303,801.00 in favor of AgriTerra. The second claimant, S3 Wireform, is seeking to overturn the notice of disallowance issued by the Monitor for payment of an unsecured claim totalling $17,858.62. The third claimant, S3 Manufacturing Inc., is seeking payment of an unsecured claim totalling $75,389.00;

c) Three (3) claimants that had filed a notice of dispute did not make an application nor advise the Monitor, or the Monitor's counsel, of their intention to make an application to determine the validity of their claims disallowed by the Monitor; and

d) Four (4) claimants did not respond to the notice of revision or disallowance.

52. The Monitor will report to this Court at a later date as to the outcome of the disputed claims filed by the remaining three (3) claimants that have filed a notice of dispute and notice of application.

CASH FLOW RESULTS COMPARED TO THIRD CASH FLOW FORECAST

53. The Company's actual cash receipts and disbursements compared to the Third Cash Flow Forecast for the period from March 21, 2020 to May 1, 2020 (the "**Reporting Period**"), appended to the Fourth Report of the Monitor is summarized below:

MORRIS GROUP
Cash Flow Variance Analysis
For the Period March 21, 2020 to May 1, 2020
(In CAD $000s)

	January 8 to May 1, 2020	March 21 to May 1, 2020		
	Actual	Actual	Forecast	Var ($)
Receipts				
Equipment sales and accounts receivable collections	$ 2,562	$ 1,435	$ 1,189	$ 247
EDC insured foreign receivable collection	-	-	11,323	(11,323)
Sale of redundant assets and other receipts	870	145	203	(57)
Total receipts	**3,431**	**1,581**	**12,714**	**(11,133)**
Disbursements				
Production costs	763	191	574	383
Operating expenses	919	388	270	(119)
Critical Suppliers	252	61	61	-
Wind down of MSS	24	12	9	(4)
Insurance costs	373	271	209	(62)
Payroll and related	2,532	848	975	127
Pension	262	131	124	(6)
Marketing costs	50	-	120	120
Rent	256	107	107	-
Other operating costs	365	186	239	53
DIP interest, fees and costs	351	99	152	52
PMSI priority payments	-	-	145	145
Professional fees and costs	1,917	884	714	(170)
Other Expenses	14	-	-	-
Total disbursements	**8,078**	**3,178**	**3,699**	**520**
Net cash flow from operations	**(4,647)**	**(1,597)**	**9,015**	**(7,418)**
DIP draws (repayments)	4,657	750	(9,015)	(8,265)
Net cash flow from financing	4,657	750	(9,015)	(8,265)
Net cash flow	**$ 10**	**$ (847)**	**$ -**	**$ (847)**
Interim Financing (DIP Facility)				
Maximum Available DIP	**$ 6,500**	**$ 6,500**	**$ 6,500**	
Opening Drawn Balance	**$ 1,243**	**$ 5,150**	**$ 5,832**	**$ 682**
Draws (Repayments)	**4,657**	**750**	**(9,015)**	**(8,265)**
Ending DIP Balance (Cash)	**5,900**	**5,900**	**(3,183)**	**(7,583)**
DIP Availability during the Period	**$ 600**	**$ 600**	**$ 6,500**	**$ 5,900**

54. Over the Reporting Period, the Company experienced a net unfavorable cash flow of $7.4 million, as a result of various permanent and temporary differences, which are described below:

a) Equipment sales and accounts receivables collections were $247,000 higher than forecast due to permanent differences with respect to collections of certain Eastern European parts sales proceeds, which were not anticipated in the Third Cash Flow Forecast;

b) EDC insured foreign receivable collections have not yet been collected;

c) Sale of various redundant assets and other receipts were approximately $57,000 lower than forecast due to lower than expected proceeds from the Ritchie Bros. auction;

d) Production costs were $383,000 lower than forecast due to both timing and permanent differences from delayed production of whole goods and reduced production levels than previously anticipated. The Company has commenced the purchase of raw materials to service certain Australian orders, which will reverse the timing differences in due course;

e) Operating expenses were $119,000 higher than forecast due in part to timing differences that are expected to reverse in the near term as well as certain permanent differences resulting from higher costs of freight and other expenses;

f) Critical supplier payments have been made as expected in the Reporting Period and as previously described in the Second Report of the Monitor;

g) Insurance costs were $62,000 higher than forecast due to temporary timing differences with respect to group insurance as well as permanent differences relating higher premiums following the renewal of corporate insurance;

h) Payroll and related costs were $127,000 lower than forecast due to resignations and terminations of certain staff over the past month.

Similarly, pension costs were $6,000 higher than forecast due to staff departures;

i) Marketing costs were $120,000 lower than forecast and is a permanent difference due to non-payment of pre-filing floor plan financing charges during the post-filing period;

j) Rent payments are consistent for forecast;

k) Other operating costs were $53,000 lower than forecast due to temporary timing differences primarily related to utilities payments;

l) DIP interest, fees and costs are $52,000 lower than forecast due to timing differences; and

m) PMSI priority payments are $145,000 lower than forecast due to timing differences and pending review of the validity and enforceability of the third-party manufacturer's security;

n) Professional fees and costs were overall $170,000 higher than forecast due to the complexities surrounding various restructuring matters and the time spent communicating with numerous stakeholders to advance the SISP and other operational activities. Professional fees and costs from the Filing Date to May 1, 2020, include the fees and costs of the Monitor, counsel to the Monitor, and legal counsel to the Company, McDougall Gauley LLP and Robertson Stromberg LLP.

UPDATED CASH FLOW FORECAST

55. The Updated Cash Flow Forecast (the "**Fourth Cash Flow Forecast**") during the Forecast Period is attached as Appendix A along with accompanying notes and assumptions, and a summary of the Fourth Cash Flow Forecast is tabled below:

MORRIS GROUP 4 Week Cash Flow Forecast For the Period May 4, 2020 to May 29, 2020 *(in CAD $000s)*		
Receipts		
Equipment sales and accounts receivable collections	$	1,326
EDC insured foreign receivable collection		11,323
Sale of redundant assets and other receipts		107
Total Receipts		**12,755**
Disbursements		
Production Costs		510
Operating expenses		147
Wind down of MSS		30
Insurance costs		93
Payroll and related		560
Pension		105
Other operating costs		257
DIP interest, fees and costs		171
PMSI priority payments		135
Professional fees and costs		421
Total Operating Disbursements		**2,428**
Net Cash Flow	**$**	**10,327**
Interim Financing (DIP Facility)		
Maximum Available DIP	**$**	**6,500**
Opening DIP Balance (Cash)		5,900
DIP Draws (Repayments)		(10,327)
Ending DIP Balance (Cash)		**(4,427)**
Ending DIP Availibility		**6,500**

56. During the Forecast Period, the net cash flows are projected to be positive $10.3 million, which will allow the Company to repay the existing and forecast DIP Loan drawn by the end of the Forecast Period and will leave approximately $4.4 million available in the estate. The positive cash flow is largely contingent on the collection of the EDC insured foreign accounts receivable and collecting receipts from confirmed equipment orders and parts sales.

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

a) Equipment sales and accounts receivable collections are comprised of the sale of parts and confirmed orders of whole goods totalling approximately $1.3 million. Of the $1.3 million, $625,000 relates to forecast parts sales and $700,000 relates to committed whole goods orders where collections are generally predictable and collected on time. As discussed in previous reports, certain of the whole goods equipment sales were delayed due to pending DLL floor plan financing. However, it has since been determined that DLL will not be financing the equipment and the Company is making efforts to sell the equipment to dealers through alternative methods including on a cash basis;

b) EDC insured foreign receivable collections are anticipated to be collected over the Revised Forecast Period;

c) Sale of redundant assets and other receipts consist primarily of the return of unused third-party branded equipment to the original manufacturer under the FMEA as discussed in paragraphs 25 to 28. Other receipts collections relate primarily to GST refunds which are expected to be lower than previously forecast due to reduced production levels;

d) Disbursements include payments in the ordinary course within the CCAA proceedings and on normal payment terms; and

e) PMSI priority payments in respect of certain equipment sold through auction are forecast to be paid in the coming weeks, subject to a review of the enforceability and validity of the security.

58. The Fourth Cash Flow Statement 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 Fourth 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 Fifth Report or relied upon by the Monitor in preparing this Fifth Report.

APPROVAL OF FEES AND EXPENSES

59. On March 27, 2020, pursuant to paragraphs 31 to 32, inclusive, of the Amended and Restated Initial Order, 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 February 29, 2020.

60. 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 March 1, 2020 to April 30, 2020.

61. Professional fees and expenses rendered by the Monitor, from March 1, 2020 to April 30, 2020, total $611,286.90 (exclusive of GST) (the "**Monitor's Fees and Costs**"). These fees include those of the Monitor and its affiliated company, A&M Securities, totaling $596,217.25, with corresponding additional expenses incurred and made on behalf of the Company totalling $15,069.65. The accounts will be made available upon request and are summarized in Appendix B to this Report.

62. Professional fees and expenses rendered by MLT Aikins LLP, the Monitor's counsel, from March 1, 2020 to April 30, 2020 total $236,640.09 (exclusive of GST and PST) (the "**Monitor's Counsel Fees and Costs**"). The accounts will be made available upon request and are summarized in Appendix B to this Report.

63. 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.

64. The Morris Group has paid the professional fees and costs of the Monitor and the Monitor's legal counsel for January 1, 2020 through to March 31, 2020. These payments are reflected in the actual cash flow receipts and disbursements discussed above. The Morris Group has not yet paid the professional fees and costs of the Monitor and the Monitor's legal counsel for April of 2020. These costs total on a combined basis (exclusive of GST and PST) approximately $368,703.96 and are expected to be paid in the manner contemplated in the Fourth Cash Flow Forecast.

65. The Monitor respectfully submits that its professional fees and disbursements and those of its legal counsel are fair and reasonable in the circumstance, given the tasks required to be performed by the Monitor and its legal counsel within the CCAA Proceedings, including, in regard to: (i) the SISP, (ii) the Claims Process Order and; (iii) the exercise of the enhanced powers of the Monitor required to be performed pursuant to the EMP Order.

66. The Monitor and its legal counsel expect to bill additional fees and costs associated with work already completed in April and May of 2020 and with future work associated to fulfill its duties in the CCAA Proceedings. The Monitor will report further to this Honourable Court with respect to these fees and costs in due course.

EXTENSION OF THE STAY OF PROCEEDINGS

67. Pursuant to the Initial Order, the stay period is set to expire on May 8^{th}, 2020. Further to the application materials filed on May 5^{th}, 2020, the Companies are seeking an extension of the stay period to May 29^{th}, 2020 (the "**Third Stay Extension Order**").

68. The Monitor has considered a number of factors in reviewing the Morris Group's application for a further Stay Extension Order to May 29, 2020, including:

   a) the time required by the Morris Group to continue its various cost saving measures required to improve liquidity for its operations and restructuring efforts;

b) the likelihood and timing of the Company completing a restructuring or implementing a potential sale transaction (whether through the SISP or through other means);

c) whether there would be any material financial prejudice to any of the Morris Group's creditors;

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.

69. The Monitor is of the view that Morris Group is acting in good faith and with due diligence and that there would not be material prejudice to the Morris Group's stakeholders should the proposed stay extension to May 29, 2020 be granted by this Honourable Court.

70. The Monitor notes that the month of May of 2020 will be a critical month within which to determine whether or not the Company is able to develop and implement an asset sale transaction or another means to ensure that sufficient liquidity exists to continue the CCAA Proceedings to achieve a positive outcome that will maximize value. So long as it has both the continued support of the primary secured lenders to the Morris Group and continued access to the DIP Facility, Morris Group is likely to be able to continue to make meaningful progress toward an outcome that will maximize value for stakeholders.

MONITOR'S RECOMMENDATION

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

    a) the proposed Stay Extension Order extending the Stay from May 8th to May 29th, 2020;

    b) an order approving the fees and disbursements of the Monitor and its legal counsel for the period of time from March 1st to April 30th, 2020; and

    c) an Order approving the Monitor's actions and activities as reported in this Fifth Report.

All of which is respectfully submitted to this Honourable Court this 6th day of May 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

Fourth Cash Flow Forecast

MORRIS GROUP
4 Week Cash Flow Forecast
For the Period May 4, 2020 to May 29, 2020
(in CAD $000s)

		Week 1	Week 2	Week 3	Week 4	Week 1 to 4
Week ended	*Notes*	**8-May-20**	**15-May-20**	**22-May-20**	**29-May-20**	**Total**
Receipts						
Equipment sales and accounts receivable collections	*1*	$ 673	$ 406	$ 99	$ 148	$ 1,326
EDC insured foreign receivable collection	*2*	-	-	-	11,323	11,323
Sale of redundant assets and other receipts	*3*	-	107	-	-	107
Total Receipts		**673**	**512**	**99**	**11,471**	**12,755**
Disbursements						
Production Costs	*4*	130	160	124	96	510
Operating expenses	*5*	50	15	5	78	147
Wind down of MSS	*6*	15	-	15	-	30
Insurance costs	*7*	47	-	-	45	93
Payroll and related	*8*	-	280	-	280	560
Pension	*8*	43	-	62	-	105
Other operating costs	*9*	85	43	41	88	257
DIP interest, fees and costs	*10*	52	50	-	69	171
PMSI priority payments	*11*	-	135	-	-	135
Professional fees and costs	*12*	9	-	411	-	421
Total Operating Disbursements		**431**	**683**	**658**	**656**	**2,428**
Net Cash Flow		**$ 242**	**$ (171)**	**$ (559)**	**$ 10,815**	**$ 10,327**
Interim Financing (DIP Facility)	*10*					
Maximum Available DIP		**$ 6,500**	**$ 6,500**	**$ 6,500**	**$ 6,500**	**$ 6,500**
Opening DIP Balance (Cash)		$ 5,900	$ 5,658	5,829	6,388	5,900
DIP Draws (Repayments)		(242)	171	559	(10,815)	(10,327)
Ending DIP Balance (Cash)		**5,658**	**5,829**	**6,388**	**(4,427)**	**(4,427)**
Ending DIP Availibility		**$ 842**	**$ 671**	**112**	**6,500**	**6,500**

NOTES AND ASSUMPTIONS

4 Week Cash Flow Forecast

Notice to Reader

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

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

1 Accounts receivables and equipment sales include the expected collections of existing accounts receivable (previously shipped products) and committed orders not yet shipped and forecast sales of parts. Sales of parts have been lower than historical run rates and are expected to ramp up in the latter part of the Spring season. This forecast is based on the latest estimate from the Management of the Parts division.

2 The Australian Dealer is expected to be collected. The Australian Dealer and the Monitor are currently in the process of reconciling the amounts receivable outstanding net of appropriate costs that may have been occurred during the year past year.

3 Sale of redundant assets primarily consists of estimated net proceeds from the put back of unused equipment to third party equipment manufacturers. Other receipts are primarily expected GST refunds from post filing activity.

4 Morris Group continues to produce primarily parts to service their early order program for dealers across the Morris Group network, although this is nearing the end of its program. Morris is also ramping up their material purchases for anticipated McIntosh order in order to meet their time-lines.

5 Estimated costs associated with ongoing production and operating activities.

6 Costs related to the wind down of the MSS include estimated independent contractor labor and fees through to May 31, 2020.

7 Insurance includes group and corporate insurance policies with scheduled monthly payments.

8 Management is continuing to evaluate the potential for targeted reductions in payroll during the CCAA proceedings based on the various restructuring plans being analyzed and evaluated, also taking into account the time-lines and milestones of the SISP. The Work Share program effectively reducing hours to 80% has been extended through to March 27, 2021 and an application has been made for government relief under the Canada Emergency Wage Subsidy program.

9 Other operating costs includes payments of WCB insurance, bank fees, utilities, software, IT, travel and related costs.

10 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 sold through the Ritchie Bros. auction that may result in a payment to Kubota subject to the validity and enforceability of Kubota's security

12 Expected professional fees to be incurred by Morris' professional and legal advisors as well as the CCAA Monitor and Monitor's counsel.

Appendix B

Summary of Monitor’s and its Counsel’s Fees and Costs

Morris Group
Summary of the Monitor's and its Counsel's Statements of Account
For the period March 1, 2020 - April 30, 2020

Invoice	Period	Fees	Disbursements	Sub-total	GST	PST	Total
Alvarez & Marsal Canada							
Corporate Restructuring							
4	Mar.1-31/20	247,543.50	13,841.39	261,384.89	13,069.24	-	274,454.13
5	Apr.1-30/20	199,042.50	122.16	199,164.66	9,958.23	-	209,122.89
		446,586.00	13,963.55	460,549.55	23,027.48	-	483,577.03
Corporate Finance							
4	Mar.1-31/20	100,150.00	1,106.10	101,256.10	5,062.81	-	106,318.91
5	Apr.1-30/20	49,481.25	-	49,481.25	2,474.06	-	51,955.31
		149,631.25	1,106.10	150,737.35	7,536.87	-	158,274.22
Total							
4	Mar.1-31/20	347,693.50	14,947.49	362,640.99	18,132.05	-	380,773.04
5	Apr.1-30/20	248,523.75	122.16	248,645.91	12,432.30	-	261,078.21
		$ 596,217.25	**$ 15,069.65**	**$ 611,286.90**	**$ 30,564.35**	**$ -**	**$ 641,851.25**
MLT Aikins LLP							
3	Mar-131/20	107,800.00	2,358.29	110,158.29	5,498.41	6,468.00	122,124.70
4	Apr.1-30/20	123,414.50	3,067.30	126,481.80	6,303.35	7,404.87	140,190.02
		$ 231,214.50	**$ 5,425.59**	**$ 236,640.09**	**$ 11,801.76**	**$ 13,872.87**	**$ 262,314.72**