

COURT FILE NUMBERS 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 **FIRST REPORT OF THE MONITOR**

JANUARY 14, 2020

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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INTRODUCTION

1. On January 8, 2020, upon the application of counsel for 101098672 Saskatchewan Ltd. (“**672**”), Morris Industries Ltd. (“**Morris Industries**”), Morris Sales and Service Ltd. (“**MSS**”), Contour Realty Inc. (“**CRI**”) and Morris Industries (USA) Inc. (“**MUSA**”) (collectively, the “**Morris Group**” or the “**Companies**”), the Court of Queen’s Bench for Saskatchewan made an order (the “**Initial Order**”) granting a stay of proceedings in respect of the Companies’ until January 16, 2020 pursuant to the provisions of 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, among other things:
 - a) appointed Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Monitor**”) as monitor of the Companies in the CCAA Proceedings;
 - b) authorized the Morris Group to remain in possession of its property and continue to carry on business in a manner consistent with the preservation of its business and property;
 - c) granted a stay of proceedings to provide breathing room necessary to preserve the business as a going concern; and
 - d) authorized the Companies to seek interim financing to pay certain pre-filing expenses to allow the Companies to carry on business in the ordinary course and pursue restructuring of their affairs.
3. Further information regarding the CCAA Proceedings, including a copy of the Initial Order, is posted on the Monitor’s website at: www.alvarezandmarsal.com/morris (the “**Case Website**”).

PURPOSE OF REPORT

4. The purpose of this report (the “**First Report**” or “**this Report**”) is to provide the Court with information in respect of the following:
 - a) appointment of A&M as monitor of the Companies in the CCAA Proceedings;
 - b) A&M’s qualifications to act as Monitor;
 - c) background in respect of the Morris Group’s operations and creditors;
 - d) an update on interim financing;
 - e) the proposed sale and investment solicitation process (“**SISP**”);
 - f) an order setting a process (the “**Claims Process**”) for unpaid suppliers and dealers to prove entitlement to a claim;
 - g) the Morris Group’s cash flow projection in accordance with section 23(1)(b) of the CCAA; and
 - h) the Monitor’s view of the Companies’ request for an extension of stay of proceedings.
5. Capitalized words or terms not defined in this Report are as defined in the Initial Order.
6. All references to dollars are in Canadian currency.

TERMS OF REFERENCE AND DISCLAIMER

7. In preparing this report, A&M, prior to or 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**”) and the

petitioners. 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.
8. 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.
 9. Future oriented financial information referred to in this Report was prepared based on the Morris Group's estimates and assumptions. 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.
 10. This Report should be read in conjunction with the affidavit of Mr. Kevin Adair, the Interim President and CEO, sworn January, 14, 2020 (the “**Second Adair**

Affidavit”) and filed in support of the Morris Group’s motion for the Amended and Restated Initial Order, as well as the affidavit of Mr. Adair sworn January 3, 2020 (the “**First Adair Affidavit**”), filed in connection with the Morris Group’s application for relief under the CCAA.

11. The Monitor understands that the Morris Group’s application for protection under the CCAA was one of the first such applications following the recent amendments to the CCAA that came into effect on November 1, 2019. The Monitor notes that this Report has been prepared taking into consideration such amendments.

A&M’S QUALIFICATIONS TO ACT AS MONITOR

12. Alvarez & Marsal Canada ULC (“**A&M ULC**”) was engaged to act as a consultant to Burnet Duckworth Palmer LLP (“**BDP**”) as counsel to Bank of Montreal (“**BMO**”) on April 10, 2019, under the amended and restated loan agreement dated May 29, 2018, between BMO and Morris Industries Ltd., (as borrower) along with Morris Industries (USA) Inc. and Morris Sales & Service Ltd. and other related entities included in the CCAA Proceedings. A&M ULC was retained to, among other things, review, report and make recommendations to BDP on the business, assets, affairs and operations of the Morris Group and other matters as required. The Morris Group consented and agreed to the appointment of A&M ULC as consultant to BDP.
13. A&M is an affiliate of A&M ULC and Alvarez & Marsal Holdings, LLC, which is an independent international professional services firm, providing, among other things, bankruptcy, insolvency and restructuring services. As such, the Monitor is familiar with the business and operations of the Morris Group, its personnel, and the key issues and stakeholders in the CCAA Proceedings.
14. A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA. The senior A&M professional personnel with carriage of this matter include experienced insolvency

and restructuring practitioners who are Chartered Professional Accountants (Chartered Accountants), Chartered Insolvency and Restructuring Professionals, and Licensed Insolvency Trustees, and who have acted in CCAA matters of similar nature in Canada.

15. The Monitor has retained MLT Aikins LLP (“**MLT**”) to act as its independent legal counsel.

BACKGROUND INFORMATION

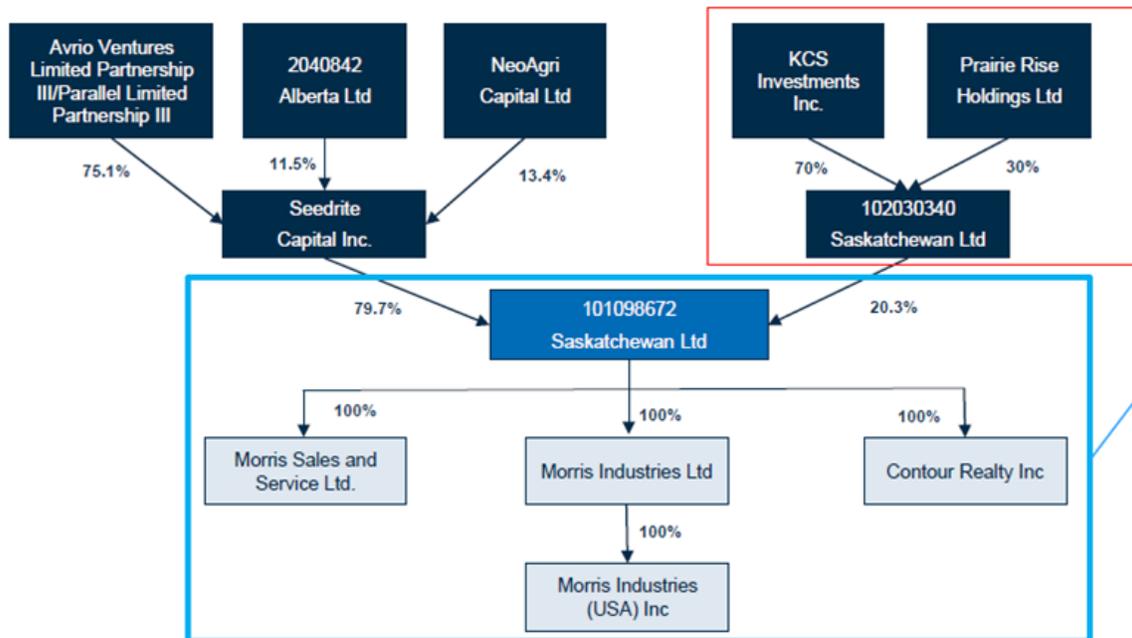
Overview

16. As further detailed in the First Adair Affidavit, the Morris Group, through its subsidiaries, operates as a farm equipment manufacturer, dealer and retailer across Canada, the United States and other jurisdictions. Founded in Saskatchewan in the 1920s, the Companies are privately held with operations being conducted from the following facilities in Saskatchewan and Manitoba:

- a) the primary manufacturing plant and adjacent parking lots in Yorkton, SK, title to which is held by CRI;
- b) a second manufacturing plant and nearby vacant site for storage in Minnedosa, MB, title to which is held by Morris Industries, as trustee for CRI pursuant to a bare trust declaration and agreement;
- c) a leased corporate head office in Saskatoon, SK
- d) a leased third manufacturing facility in Yorkton, SK;
- e) a leased research and development facility in Yorkton, SK; and
- f) a leased dealership operated by MSS in Virden, MB.

17. In summary, the Morris Group’s corporate structure consists of the following five entities and are owned by various shareholders:

- a) 672 is the parent company which has 100% ownership of Morris Industries, MSS and CRI;
- b) Morris Industries is the primary operating company carrying on business as a farm equipment manufacturer of air carts, drills, seeders, packer harrow bars and bale carriers, among other things. Morris Industries distributes its products to customers through a network of dealers in Canada, the Unites States, Australia and Eastern Europe;
- c) MSS operates as the Companies’ dealer of the Morris Group’s products as well as other third party-equipment;
- d) CRI is the Companies’ real estate holding company; and
- e) MUSA is primarily a sales entity operating out of the United States and primarily sells the ProAg line of Morris.



Historical Financial Performance

18. During the fiscal years ended August 31, 2018 and 2019, the Companies, on a consolidated basis, generated approximately \$58 million and \$68 million in net sales, respectively. Canada and Australia, on a combined basis, continue to generate a significant portion of the Companies' total net sales. Over the past three years, McIntosh Holdings ("**McIntosh**") has been the Companies' largest customer accounting for approximately 30% to 40% of the Companies' revenues.
19. As discussed further in the First Adair Affidavit, the Morris Group insolvency occurred as a result of a decline in revenues over the past several years due to a number of reasons including unforeseen warranty issues, international trade disputes, inclement weather in successive crop years, loss of access to a factoring facility, a bulge in inventory, entering in a BMO loan agreement with additional covenants and the demand for payment of its sub-debt by Avrio Subordinated Debt Limited Partnership II ("**Avrio**").

Creditors

20. As at January 8, 2020, the Companies had a total of approximately \$55 million of debt comprised of approximately \$42 million of secured debt owing to its senior secured lenders, BMO, Avrio and Farm Credit Canada ("**FCC**"), as well Trumpf Finance, De Lage Landen, Kubota Canada and Wells Fargo. Approximately \$13 million of unsecured debt is due to more than 650 creditors comprised of approximately 600 vendors and 150 dealers and other creditors.
21. The below chart outlines the listing of the Companies known secured and unsecured creditors per entity as at January 8, 2020:

Creditors per Entity	
Secured creditors	Claim (\$)
672	\$ 9,000,000
MIL	23,533,576
MSS	4,554,607
CRI	4,925,521
Total secured creditors	42,013,704
Unsecured creditors	
MIL	11,258,108
MSS	664,853
CRI	195,733
MUSA	1,064,570
Total unsecured creditors	13,183,264
Total creditors	
672	9,000,000
MIL	34,791,683
MSS	5,219,460
CRI	5,121,254
MUSA	1,064,570
Total creditors	\$ 55,196,968

22. Further detail on the creditors' security positions are contained in the First Adair Affidavit and not repeated herein.

INITIAL ACTIVITIES OF THE MONITOR

23. As described in the Second Adair Affidavit, the Morris Group requires financing during the CCAA Proceedings to provide the liquidity necessary to maintain its business as a going concern, preserve value of its assets for its stakeholders and to implement the contemplated SISP and the proposed claims process, as discussed further below.
24. Up to and including the date of this First Report, the Monitor's activities have included the following:
- a) Conducted ongoing discussions with Management, certain directors of the Companies, and the Companies' legal counsel, McDougal Gauley LLP, regarding the Companies' business and financial affairs;
 - b) Retained and instructed MLT to act as independent legal counsel of the Monitor;

- c) Reviewed documents relating to the BMO loan agreement and the draft DIP Facility (discussed below);
- d) Communicated with and attended to various inquiries from trade creditors, landlords, and other stakeholders, and assisted with arrangements with various suppliers regarding the ongoing supply of goods and services;
- e) Attended at the Morris Group headquarters to assist with various matters related to the operations;
- f) Conducted various teleconferences and in-person town-hall meetings at the Morris Group headquarters with employee groups in respect of the CCAA Proceedings and on-going operations;
- g) Assisted with the roll-out of the Companies' communication plan upon filing of the Initial Order;
- h) Prepared and issued notices (where required) under the CCAA and the Initial Order, including:
 - i. The set-up of the Case Website;
 - ii. The preparation of the Notice to Creditors as referenced in paragraph 36(ii) of the Initial Order and these notices are currently being arranged to be mailed on January 15, 2020 to 659 known creditors;
 - iii. The preparation and arrangement of publishing of the notice to creditors in the Globe and Mail (National Edition), the Regina Leader Post, the Saskatoon Star Phoenix and the Winnipeg Free Press, in accordance to paragraph 36 of the Initial Order,

- iv. The filing of statutory notices to the Office of the Superintendent of Bankruptcy in the prescribed forms as required under section 23(1)(f) of the CCAA; and
- v. Established various reporting protocols with the Companies, including but not limited to disbursement approvals, cash flow reporting and daily sales reporting;

SALES AND INVESTMENT SOLICITATION PROCESS

Overview

- 25. To address the Companies liquidity and certain operational concerns, the Companies believe that it would be important to immediately initiate a sale and investment solicitation process (“SISP”), subject to Court approval. The Companies, with the support of the Monitor, believe that a SISP which provides for the greatest flexibility in soliciting and selecting bids from interested parties for the sale of or investment in the shares or assets of the Companies, a refinancing, reorganization, recapitalization, restructuring, joint-venture, merger or other business transaction involving the Companies, or some combination thereof, will provide the greatest chance for the Morris Group to complete a restructuring of its operational and financial affairs.
- 26. The Monitor is concerned that should a SISP not be implemented forthwith, the Companies will not have adequate funding and may be unable to complete a restructuring of their operational and financial affairs. A SISP that allows for the greatest flexibility by effectively and efficiently exposing the Companies to the market, while being able to act in a pragmatic manner should an appropriate offer be presented to the Companies, will be critical. The Companies are currently in the “ordering season” where they receive orders of equipment and inventory for the forthcoming growing season in Canada, the US and Eastern Europe. The Companies will then, based on the orders received, need to commence the manufacture and supply of its seeding and other equipment.

27. The Morris Group, with the support of the Monitor, BMO, Avrio and FCC, believe that it is appropriate for the Companies to initiate a broad-based SISP process that will allow for the Companies to restructure their business and financial affairs in the most efficient manner possible while also soliciting the greatest number of potential offers from prospective investors, purchasers and other interested parties.

Summary of proposed SISP

28. The Monitor has summarized below certain key points of the proposed SISP. All potential bidders are advised to review the SISP document (as attached to this Report) in detail.
29. The SISP will be prepared and implemented by the Monitor, in consultation with the Morris Group.
30. A potential transaction with the Companies may involve a person making an investment through the purchase or acquisition of the shares (or additional shares) of the Companies (each a “**Share Bid**”), through the provision of additional financing in the Companies (each a “**Financing Offer**”), an offer to purchase some or all of the Business or assets of the Companies (each an “**Asset Bid**”) or some combination thereof (each a “**Hybrid Bid**”).
31. Any transaction involving the Companies, the shares of the Companies or the assets of the Companies will be on an “*as is, where is*” basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Companies, the Monitor or any of their respective agents, estates, advisors, professionals or otherwise, except to the extent set forth in a written agreement with the person who is a counterparty to such a transaction.
32. A summary of the timelines in the SISP are outlined in the chart as follows:

SISP – Notices and Other Particulars	Applicable Dates/Timing
<p>1. Solicitation of Interest</p> <p>(a) Prepare a list of Prospective Bidders including both strategic and financial parties; and concurrently</p> <p>(b) Prepare initial offering summary (the “Teaser”) notifying potential bidders of the existence of the SISP Procedures and inviting Prospective Bidders to express their interest</p>	<p>As soon as reasonably practicable after granting of the SISP Approval Order</p>
<p>2. Notice of SISP Procedures</p> <p>(c) Publish a notice regarding the SISP Procedures and such other relevant information in the <i>Globe and Mail (National Edition)</i>, the <i>Saskatoon Star-Phoenix</i>, the <i>Regina Leader-Post</i>, the <i>Winnipeg Free Press</i>, the <i>Calgary Herald</i>, the <i>Edmonton Journal</i> and the <i>National Post (National Edition)</i>; and concurrently</p> <p>(d) Issue a press release providing the above notice with Canada Newswire and a United States equivalent newswire</p>	<p>Within 3 business days following issuance of SISP Approval Order</p>
<p>3. Teaser Distribution</p> <p>Distribute to the Prospective Bidders the Teaser and draft form of confidentiality agreement</p>	<p>Starting on January 27, 2020</p>
<p>4. Phase 1 – Bid Deadline</p> <p>A potential bidder will be deemed a Qualified Bidder upon submitting a non-binding letter of intent to the Monitor, with a copy to the Company (“Qualified LOI”)</p> <p>The Monitor will review Qualified LOIs and notify Qualified Bidders that they are proceedings to Phase 2 of the SISP</p>	<p>No later than March 9, 2020 at 5:00 p.m. Saskatoon time</p> <p>No later than 5 business days after the Phase 1 Bid Deadline</p>
<p>5. Phase 2 - Selection of High Value LOI</p> <p>If a High Value LOI (as set out in the Confidential Supplement to the First Report) is received, the Monitor may elect to terminate the SISP</p> <p>Negotiate and finalize for immediate approval by the Court the High Value LOI and provide notice to the Company of intention to terminate the SISP</p>	<p>On a date subsequent to March 9, 2020</p> <p>At least 3 business days prior to terminating the SISP</p>
<p>6. Phase 2 – Bid Deadline</p> <p>To participate in the SISP after the Phase 1 Bid Deadline Qualified Bidder must deliver a binding and definitive agreement to the Monitor, with copy to the Company</p>	<p>No later than April 10, 2020 at 5:00 p.m. (Saskatoon time)</p>
<p>7. Phase 2 – Review and Communication to Qualified Bidders</p> <p>The Monitor shall review and select the highest and best Qualified Phase 2 Bid and apply to the Court to approve such Successful Bid</p>	<p>No later than April 15, 2020</p>

Solicitation of Interest

33. As soon as reasonably practicable after the granting of the SISP Order, the Monitor, in consultation with the Companies, will prepare a list of Prospective Bidders. Such list will include both strategic and financial parties who, in the reasonable business

judgment of the Monitor and the Companies, may be interested in and have the financial capacity to make an Share Bid, an Asset Bid, a Financing Offer or a Hybrid Bid.

34. Concurrently, the Monitor in conjunction with the Companies, will prepare an initial offering summary (the “**Teaser**”) notifying Potential Bidders of the existence of the SISP Procedures and inviting the Prospective Bidders to express their interest in making an Asset Bid, a Financing Offer, a Hybrid Bid or some combination of the foregoing.
35. The Monitor will publish the SISP procedures in various media outlets (newspapers) across the country (global outlets) as well as Saskatchewan, Manitoba and Alberta within 3 business days upon granting of the SISP Order and by no later than January 27, 2020, begin initial distribution of the Teaser, as well as confidentiality and non-disclosure agreement (“**NDA**”) to the Potential Bidders, who have been identified by the Monitor and the Company. Upon receipt of the executed NDA to the Monitor, in acceptable form at the discretion of the Monitor and in consultation with the Companies as required, the Potential Bidder will be granted access to the CIM, a virtual data room and other due diligence material that has been established by the Monitor.
36. The SISP is designed to have two phases:

Phase I

37. A potential bidder (“**Potential Bidder**”) will be deemed a “Qualified Bidder” if, in the opinion of the Monitor, in consultation with the Companies, such Potential Bidder submits a non-binding letter of intent to the Monitor, with a copy to the Companies (a “**Qualified LOI**”) at anytime before 5:00 pm (Saskatoon time) on March 9, 2020 (the “**Phase 1 Bid Deadline**”). A non-binding indication of interest will only qualify as a Qualified LOI in the event that it contains, meets or includes the criteria listed in the SISP.

38. Notwithstanding the above, the Monitor, in consultation with the Companies and acting reasonably, may waive non-compliance with any one or more of the requirements specified in the SISP and may deem any non-compliant letter of intent to be a Qualified LOI.
39. The Monitor, in consultation with the Companies, will assess any Qualified LOI's received and will determine whether or not there is a reasonable prospect that the one or more Qualified LOI(s) is/are likely to be consummated from such Qualified LOIs. Such assessment will be made as promptly as practicable but no later than five (5) Business Days after the Phase 1 Bid Deadline (the "**Qualified LOI Assessment Deadline**"). In the event that the Monitor, after consultation with the Companies, determines that one or more Qualified LOIs have been submitted, the Monitor shall notify all Qualified Bidders that they are proceeding to "Phase 2" of the SISP.

Phase II

40. In order to continue to participate in the SISP from and after the Phase 1 Bid Deadline, a Qualified Bidder who submitted a Qualified LOI to the Companies must deliver a binding and definitive agreement to the Monitor, with a copy to the Companies (a "**Qualified Bid**") by no later than 5:00 p.m. (Saskatoon time) on April 10, 2020 (the "**Phase 2 Bid Deadline**"). A binding offer will only qualify as a qualified phase 2 bid (each a "**Qualified Phase 2 Bid**") in the event that it contains, meets various criteria set out in the SISP.
41. The Monitor, in consultation with the Companies and acting reasonably, may waive non-compliance with any one or more of the requirements specified in section 24 of these SISP Procedures and may deem any non-compliant Definitive Restructuring Agreement, Definitive Asset Purchase Agreement or Definitive Hybrid Bid, as the case may be, a Qualified Phase 2 Bid.
42. The Monitor, in consultation with the Companies, will assess any Definitive Restructuring Agreement, Definitive Asset Purchase Agreement or Definitive

Hybrid Bid, as the case may be, that has qualified as a Qualified Phase 2 Bid and will determine whether any such Definitive Restructuring Agreement, Definitive Asset Purchase Agreement or Definitive Hybrid Bid constitutes a Qualified Phase 2 Bid. Such assessment will be made as promptly as practicable but no later than five (5) Business Days after the Phase 2 Bid Deadline (the “**Qualified Phase 2 Bid Assessment Deadline**”).

43. The Monitor, in consultation with the Companies, shall (to the extent that there is more than one Qualified Bid) select the highest and best Qualified Phase 2 Bid (the “**Successful Bid**”) and apply to the Court to approve such Successful Bid within five (5) Business Days of the Qualified Phase 2 Bid Assessment Deadline and such approval shall be obtained by no later than April 15, 2020. The Companies shall thereafter complete the transactions contemplated by such selected Successful Bid in accordance with the terms thereof and any order issued by the Court.

Selection of a High Value LOI and Termination of the SISP

44. If the Monitor receives a Qualified LOI that satisfies the additional criteria set out in the Confidential Supplement to the First Report (a “**High Value LOI**”), then the Monitor, in consultation with the Companies and the Lenders, may elect to terminate the SISP on a date subsequent to March 9, 2020. The Monitor, in consultation with the Companies, may then proceed to negotiate and finalize for immediate approval by the Court the High Value LOI. Prior to terminating the SISP, the Monitor shall provide at least three (3) days notice to the Companies of such intention to terminate the SISP.
45. The SISP will not be terminated prior to March 9, 2020 and may only be terminated by the Monitor if it believes there is a reasonable expectation that such High Value LOI can be closed expeditiously and by no later than April 15, 2020, subject to Court approval. Prior to obtaining Court approval of any High Value LOI, the Qualified Bidder will also have to comply with or satisfy the conditions in certain sections of Phase II and deposit requirements.

46. Due to the confidential nature of the information provided in the Confidential Supplement to the First Report during the SISP, the Monitor is concerned that, if information about the criteria is disclosed prior to the closing of a transaction in the CCAA Proceedings, such disclosure could materially jeopardize the SISP, or if a High Value LOI was selected to close and the transaction does not close, could materially jeopardize subsequent efforts by the Monitor, with the assistance of the Companies, to re-market the Companies shares and/or assets. As such, the Monitor is respectfully of the view that it is appropriate for this Honourable Court to seal the Confidential Supplement to the First Report.

Deposit

47. All deposits shall be retained by the Monitor in a trust account with a bank in Canada. All Qualified Bids identified in Phase II or a High Value LOI must be accompanied by a refundable deposit (the "**Deposit**") in the form of a wire transfer (to a trust account specified by the Monitor), payable to the Monitor in trust, in an amount equal to ten percent (10%) of the total consideration, save and except for a Credit Bidder as per the SISP.
48. If the person making a Qualified Phase 2 Bid is selected as the Successful Bid breaches or defaults on its obligation to close the transaction in respect of Successful Bid it shall forfeit its Deposit to the Monitor for and on behalf of the Companies; provided however that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Companies has in respect of such breach or default.
49. If the Companies are unable to complete the Successful Bid as a result of their own actions and not as a result of steps or conditions contained in the Successful Bid (or the actions of the Successful Bidder) than the Deposit shall be returned to the Successful Bidder.

Monitor's view of the SISP

50. The Monitor is of the view that the implementation of the proposed SISP by the Monitor is appropriate under the circumstances. The Monitor is of the respectful view that the SISP Order should be granted by this Honourable Court for the following reasons:

- a) the SISP provides a fair and transparent process which will be conducted in such a manner to give potential bidders equal access to express their interest in making an Asset Bid, a Financing Offer, a Hybrid Bid or some combination of the foregoing;
- b) no stakeholder appears to be prejudiced by the process. The three major creditors, BMO, Avrio and FCC, along with the Companies, have been consulted and, to the Monitor's knowledge, have no objection to the proposed form of SISP; and
- c) the Monitor itself, with the assistance of Alvarez & Marsal Canada Securities ULC. (a related entity of A&M Inc.), has significant experience in marketing distressed assets in these types of circumstances and in seeking financing opportunities for Companies;

51. The Monitor is also of the view that time is of the essence given the seasonality of the business and ensuring that a successful restructuring of the business occurs in order to allow it to continue to fulfill orders, meet market demand and exit from the CCAA Proceedings.

INTERIM FINANCING

52. Pursuant to the Initial Order, the Morris Group may on further application to this Court, obtain and borrow under a credit facility from a lender (the "**Interim Lender**") in order to finance the Morris Group's working capital requirements and other general corporate purposes as may be come necessary.

53. After review of the Morris Group’s Cash Flow Forecast (discussed below), it was determined that interim financing (“**Interim Financing**”) was required. Without Interim Financing, the Morris Group would not be able to continue with its restructuring activities and may be face with an immediate liquidation of its assets. This would likely result in significant lower recoveries than those obtained through the restructuring process.
54. The requirement for Interim Financing is essentially based on the Morris Group’s forecast period from January 10, 2020 to April 10, 2020 (expiration of the proposed stay extension) to complete the proposed SISP and restructuring and to circulate a plan of arrangement or compromise (the “**Plan**”) to its creditors. Upon consideration of the cash flow requirements by the Morris Group, it was determined that the Applicants would require Interim Financing in the amount of \$5.7 million over the Forecast Period.
55. As a result of the foregoing, the Morris Group, with the assistance of the Monitor, held extensive discussions with BMO advising for the need for Interim Financing. BMO is the Morris Group’s first secured lender and BMO advised the Morris Group that it would not be agreeable to any other party providing Interim Financing that would “prime” BMO’s security position.
56. A copy of the Interim Financing Term Sheet is attached as Appendix C to this Report and a summary of the proposed DIP Facility is as follows:

DIP Component	Details
Borrower	Morris Industries Ltd. & Morris Sales and Service Ltd. (collectively referred to as the "Borrower").
Guarantor	101098672 Saskatchewan Ltd., Morris Sales and Service Ltd., Contour Realty Inc., and Morris Industries (USA) Inc. (the "Guarantors and each a Guarantor", and the Guarantors, together with the Borrower, are collectively referred to herein as the "Credit Parties" and, individually, a "Credit Party").
DIP Lender	Bank of Montreal ("BMO")
Purpose	To provide for the short-term liquidity needs of the Credit Parties pursuant to the Cash Flow Forecast while the Credit Parties are under CCAA protection pursuant to the CCAA Proceedings to be commenced before the Court and as more fully set forth herein.
Commitment Amount (CAD \$)	\$5.7 million CAD (inclusive of funding the Temporary Bulge provided by BMO in accordance with the Amending Agreement signed December 24, 2019).
Interim Lender Charge	Second Charge behind the Administrative Charge.
Interest Rate	12.0% per annum paid monthly.
Commitment Fee	3.0% paid at closing of the DIP Facility agreement.
Maturity / Repayment	The Interim Facility shall be repayable in full on the earliest of: (a) the occurrence of any Event of Default hereunder which is continuing and has not been cured; (b) the implementation of a plan of compromise or arrangement within the CCAA Proceedings (a " Plan ") which has been approved by the requisite majorities of the Credit Parties' creditors and by order entered by the Court; (c) the closing of a CCAA Sale within the CCAA Proceedings which has been approved by orders entered by the Court; (d) conversion of the CCAA Proceedings into a proceeding under the <i>Bankruptcy and Insolvency Act</i> (Canada) (" BIA ") or the termination of the CCAA Proceedings; and (e) May 8, 2020 (the earliest of such dates being the " Maturity Date ").
Reporting Requirements	Bi-weekly Cash Flow Variance Reporting to the Interim Lender.
Covenants and Events of Default	Customary affirmative and negative covenants and events of default.
Amortization	None, save and except for voluntary repayments by the Borrower.
Governing Law	Province of Saskatchewan and federal laws of Canada.

57. The Monitor has reviewed the terms of the Interim Financing Term Sheet provided by BMO and agreed to by the Morris Group and the terms of the Interim Facility appear to be commercially reasonable in the circumstances, including annual interest rate and commitment fee. The Monitor is of the view that such aggregate fees are comparable or within a reasonable range of interim financing loans in other Canadian CCAA filings.
58. The Monitor is further of the view that Interim Financing is warranted as without it, it would be difficult for the Morris Group to continue in the CCAA Proceedings. Further, in any probable realization strategy, a receiver, trustee or other administrator or manager would likely recommend to expend a similar amount of funds in order to preserve and market the Morris Group assets.
59. Accordingly, given the benefits that Interim Financing will provide, and the purpose of Interim Financing will be utilized for in the Cash Flow Forecast discussed below, the Monitor does not believe the Interim Financing to be unduly prejudicial to other creditors of the Morris Group and the Monitor supports the application for Interim Financing.
60. The Monitor understands that BMO, along with Avrio (subordinated secured debt to BMO) are also supportive of this Interim Financing application.

CASH FLOW FORECAST

61. Management of the Morris Group have prepared a weekly cash flow forecast (the “**Cash Flow Forecast**”) for the 13-week period from January 10, 2020 to April 10, 2020 (the “**Forecast Period**”). A copy of the Cash Flow Forecast along with its notes and assumptions (the “**Cash Flow Assumptions**”) and Management representation letter required by section 10(2)(b) of the CCAA are attached hereto as Appendix “**B**”, and is summarized below:

MORRIS GROUP	
13 Week Cash Flow Forecast - Prepared by Management	
For the 13 Week Period Ending April 10, 2020	
<i>(in CAD \$000s)</i>	
Receipts	
Accounts receivable and confirmed orders	\$ 1,689
Collection of forecast sales	599
Collection of Foreign EDC insured receivable	-
Net proceeds from sale of excess inventory	-
Other collections	150
Total Receipts	\$ 2,439
Disbursements	
Production costs	\$ 1,384
Operating expenses	483
Insurance costs	273
Payroll and related	1,992
Pension	280
Marketing costs	195
Rent	161
Other operating costs	434
DIP Facility commitment fee and related	196
DIP Facility interest costs	102
Professional fees	1,308
Total Operating Disbursements	\$ 6,807
Net Operating Cash Flow	\$ (4,369)
Proposed Interim Financing (DIP Facility)	
Proposed Maximum Available DIP, subject to Court approval	\$ 5,700
Opening Balance	1,243
Draws (Repayments)	4,369
Ending DIP Balance (Cash)	5,611
DIP Availability during the Period	89

62. As shown in the table above, during the Forecast Period, the Cash Flow Forecast shows negative net cash flows of approximately \$4.4 million that will be required Interim Financing for the Companies to continue operations in the short term (as discussed above). The forecast ending proposed Interim Facility (that is subject to Court approval) balance at the end of the Forecast Period is projected to be \$5.6 million, which includes payment of the temporary bulge facility provided by BMO.
63. The Monitor has reviewed the Cash Flow Forecast to the standard required of a Court appointed Monitor under section 23(1)(b) of the CCAA. Section 23(1)(b)

requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. Pursuant to this standard, the Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by the Companies and key members of the Morris Group management. The Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast.

64. Based on the Monitor's review, nothing has come to its attention that causes it to believe, in all material respects that:
 - a) the Cash Flow Assumptions are not consistent with the purpose of the Cash Flow Forecast;
 - b) as at the date of this Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the Cash Flow Assumptions; or
 - c) the Cash Flow Forecast does not reflect the Cash Flow Assumptions.
65. The Cash Flow Forecast has been prepared solely for the purpose described in Appendix B, and readers are cautioned that it may not be appropriate for other purposes.
66. Since the Cash Flow Forecast is based on assumptions regarding future events, 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 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 report, or relied upon by us in preparing this report.

67. As previously discussed, the Companies will require Interim Financing of \$5.7 million to fulfill its liquidity requirements over the Forecast Period.

PROPOSED CLAIMS PROCESS

68. The Morris Group has prepared a proposed Claims Process with this Honourable Court seeking an order (the “**Claims Process Order**”) approving the Claims Process to determine the claims of creditors (“**Claims**”) and establish a claims bar date of March 2, 2020 to prove Claims (“**Claims Bar Date**”).

69. The purpose of the proposed Claims Process is to establish the quantum of claims as at the date of the Initial Order that will be considered under a potential plan of compromise and/or arrangement (“**Plan**”) which the Morris Group may present to its creditors and stakeholders. A copy of the proposed Claims Process Order is attached as Appendix A.

70. The proposed forms and notices for the Claims Process are included as schedules to the draft Claims Process Order. Capitalized terms describing the Claims Process, and as set out below, shall have the meaning ascribed to them in the Claims Process Order.

71. The Morris Group, with the support of the Monitor, believes that should this Honourable Court grant the SISP Order (as discussed above), a parallel process to prove claims against the Companies should be allowed, which will assist potential purchasers and/or investors in determining the quantum of Claims, formulating prospective offers and, for Creditors, participation in a potential Plan.

72. The following chart summarizes the key steps and timelines in the proposed Claims Process Order:

CPO – Notices and Other Particulars	Applicable Dates/Timing
<p>1. Monitor’s Website Post on Monitor’s Website a copy of:</p> <ul style="list-style-type: none"> (a) the CPO, (b) the Instruction Letter, (c) a blank Proof of Claim form, (d) a blank Notice of Dispute form, and (e) the list of claims. 	<p>Within 5 business days following issuance of Claims Process Order</p>
<p>2. Notice of Claims Claims Package sent to each Creditor with a Claim as evidenced by the books and records of the Applicants as of the Filing Date</p>	<p>Within 10 business days following issuance of Claims Process Order</p>
<p>3. Newspaper Notice Publication of Notice of Claims Process for one (1) Business Day in the <i>Globe and Mail (National Edition)</i>, the <i>Saskatoon Star-Phoenix</i>, the <i>Regina Leader-Post</i>, and the <i>Winnipeg Free Press</i></p>	<p>Caused to be published within 5 business days following issuance of the Claims Process Order</p>
<p>4. Claims Bar Date Applies to all Pre-filing Claims</p>	<p>March 2, 2020 at 4:00 p.m. Saskatchewan time</p>
<p>5. Adjudication of Claims</p> <ul style="list-style-type: none"> (a) Monitor in consultation with Petitioners shall review all Proofs of Claim received on or before the Claims Bar Date (b) If applicable, issue a Notice of Revision or Disallowance Creditor (c) Creditor issues a Notice of Dispute in respect of a disputed Notice of Revision or Disallowance and (d) file and serve the Notice of Dispute on the counsel of the Applicants and the Monitor and all counsel listed on the service list a notice of application returnable in the CCAA Proceedings 	<p>Following receipts of Proofs of Claim</p> <p>No later than 10 calendar days after receipt of the Proof of Claim</p> <p>No later than 10 calendar days after Notice of Revision or Disallowance was delivered</p> <p>No later than 15 calendar days after delivery of the Notice of Dispute</p>
<p>6. Alternative Timeline The alternative Claims Process deadlines which are applicable if the Monitor issues a Revised Claim Amount Notices dated on or after February 12, 2020:</p> <ul style="list-style-type: none"> (a) Deadline for affected creditor to deliver a proof of claim to the Monitor (b) Deadline for the Monitor to deliver a Notice of Revision or Disallowance to the affected Creditor (c) Deadline for the affected Creditor to deliver a Notice of Dispute to the Monitor (d) Deadline for the affected Creditor to file a Notice of Application and serve it on counsel on the Service List 	<p>15 calendar days from the day on which the Revised Claim Amount Notice is dated</p> <p>10 calendar days from the day on which the Proof of Claim is received by the Monitor</p> <p>15 calendar days from the day on which the Notice of Revision or Disallowance is dated</p> <p>15 calendar days from the day on which the Notice of Dispute was delivered to the Monitor</p>

Proposed Notice to Creditors to File Proofs of Claims

73. Under the Claims Process Order, the Monitor, in cooperation with the Morris Group, shall, within ten (10) Business Days of the date of the proposed Claims Process Order, deliver a Claims Package (attached as Schedules A-E to the Claims Process Order) to each known or possible Creditors who had or may have had a Claim as at January 8, 2020, as such Creditors may be identified to the Monitor by the Morris Group.
74. A notice to Creditors (the “**Notice to Creditors**”) regarding the Claims Process is to be published in The Globe and Mail (National Edition) the Saskatoon Star-Phoenix, the Regina Leader-Post, and the Winnipeg Free Press within five (5) Business Days of the date of the proposed Claims Process Order.
75. The Monitor shall cause the Claims Package and a copy of this Order to be posted on the Case Website within five (5) Business Days of the date of this Order.
76. The Monitor will also post electronic copies of the Notice to Affected Creditors, the Proof of Claim and the Claims Procedure Order on the Monitor’s website as soon as practically possible after granting of the Claims Procedure Order.

Proposed Claims Bar Date

77. The Morris Group proposes that any Affected Creditor asserting a Claim be required to file a Proof of Claim with the Monitor prior to 4:00 p.m. (Saskatchewan Time) on March 2, 2020 (the “**Claims Bar Date**”). The Monitor will administer the Claims Process Order.
78. Any Creditor that does not file its Claim with the Monitor on or before the Claims Bar Date, or such later date as this Honourable Court may otherwise order, will:
 - a) have its Claim forever barred and extinguished, unless otherwise ordered by the Court;
 - b) not be able to attend or vote at any creditor’s meeting;

- c) not be entitled to any further notice of these proceedings; and
- d) not be entitled to receive any distribution under any Plan.

79. A Proof of Claim must be filed in respect of every Claim, regardless of whether or not a legal proceeding in respect of a Claim has been previously commenced. Each Person shall include any and all Claims in a single Proof of Claim.

Deemed Acceptance of Claims

80. The Monitor may provide a “Claim Amount Notice” to a Creditor setting out the amount of any Claim that such Creditor has against an Applicant according to the books and records of the Morris Group. If a Creditor wishes to object to the amount listed on the Claim Amount Notice in respect of its Claim, the Creditor must, on or before the Claims Bar Date, deliver a Proof of Claim to the Monitor. If a Creditor does not deliver a Proof of Claim in respect of a Claim included in a Claim Amount Notice, the amount of that Creditor’s Claim as set out in the Claim Amount Notice shall be final and binding and the Creditor shall be deemed to have accepted the Claim, and the Claim shall be deemed to be such Creditor’s Proven Claim for voting and distribution purposes under any Plan, without any further act of any such Creditor.

81. The Monitor may revise the amount of a Claim to correct any error, defect or omission in a Claim Amount Notice. If the Monitor revises the amount of a Claim, then it shall send a revised Claim Amount Notice to the affected Creditor.

Adjudication of Claims

82. The Monitor, in consultation with the Applicants shall review all Proofs of Claim received on or before the Claims Bar Date and shall accept, revise or reject each Claim. If the Monitor intends to revise or reject a Claim, the Monitor shall notify the Claimant who has delivered such Proof of Claim that such Claim as set out therein has been revised or rejected and the reasons therefor, by sending a Notice of Revision or Disallowance to the Claimant by no later than ten (10) Calendar

Days after receipt of the Proof of Claim from the Claimant. Where the Monitor does not send a Notice of Revision or Disallowance to a Claimant by such date, the Applicants and the Monitor shall be deemed to have accepted such Claimant's Claim in the amount set out in that Claimant's Proof of Claim.

Proposed process for Disputed Claims

83. Any Claimant who intends to dispute a Notice of Revision or Disallowance shall:
- a) deliver a completed Notice of Dispute to the Monitor by no later than ten (10) Calendar Days from the date the Notice of Revision or Disallowance was delivered by the Monitor to the Claimant or such other date as may be agreed to by the Monitor in writing; and
 - b) within 15 Calendar Days of delivery of the Notice of Dispute, file and serve on counsel for the Applicants and the Monitor and all counsel listed on the Service List a Notice of Application returnable in the CCAA Proceedings along with supporting affidavit materials seeking to determine the validity of that portion of the Claimant's Claim that was disallowed by the Monitor, the hearing of such application to be on a date agreed upon by the parties to the application and subject to the Court's availability.
84. Where a Claimant that receives a Notice of Revision or Disallowance does not file a completed Notice of Dispute and file and serve the Notice of Application and supporting affidavit(s) by the time set out in the Claims Process Order, such Claimant's Claim shall be deemed to be quantified as set out in the Notice of Revision or Disallowance.
85. Where the value of a Claimant's Claim has not been finally determined by the Court by the date of a meeting to consider a Plan, the Monitor shall, in consultation with the Applicants, either:

- a) accept the Claimant's determination of the value of the Claim as set out in the applicable Proof of Claim or Notice of Dispute only for the purposes of voting, and conduct the meeting on that basis subject to a final determination of such Claimant's Claim for the purposes of distribution or otherwise, and in such case the Monitor shall record separately the value of such Claimant's Claim and whether such Claimant voted in favour of or against the Plan;
- b) adjourn the meeting until a final determination of the Claim is made;
or
- c) deal with the matter as the Court may otherwise direct or as the Applicants, the Monitor and the Claimant may otherwise agree.

Alternative Timelines

86. In the event the Monitor sends a revised Claim Amount Notice to an affected Creditor, which is dated on or after February 12, 2020, the timeline as indicated in the above chart will apply to the adjudication of such Creditor's Claim.

Monitor's comments regarding the proposed Claims Process

87. The Monitor is of the view that the proposed Claims Process provides reasonable timelines for Creditors to file and prove their claims against the Morris Group, for the Monitor to adjudicate the Claims and for the dispute resolution process to be carried out by the Monitor and ultimately, by this Honourable Court if any claims cannot be resolved consensually.

88. Additionally, the Monitor is of the view that the Claims Process should move forward on an expedited basis given the implementation of the proposed SISF, subject to court approval, as soon as is practicable to mitigate ongoing cash losses and loss of goodwill during the CCAA Proceeding.

EXTENSION OF THE STAY OF PROCEEDINGS

89. Pursuant to the Initial Order, the stay period is set to expire on January 18, 2020 and further to the application materials filed on January 3, 2020, the Companies are seeking an extension of the stay period to March 27, 2020 (the “**Stay Extension Order**”).
90. The Monitor has considered a number of factors in reviewing the Morris Group’s application for the Stay Extension Order, including the following:
- a) The time required by the Morris Group to initiate various cost savings measures that are required to improve liquidity for its operations and restructuring efforts;
 - b) Whether there would be any material financial prejudice to any of the Morris Group’s creditors;
 - c) Whether the Morris Group is acting with good faith and due diligence; and
 - d) Whether the Morris Group’s prospects of effecting a viable restructuring would be enhanced by an extension of the Stay of Proceedings;
91. 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 Order be granted by this Honourable Court.

MONITOR'S RECOMMENDATION

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

- a) The proposed Order approving the SISP;
- b) The proposed Claims Procedure Order;
- c) The proposed DIP Facility; and
- d) The proposed Stay Extension Order.

All of which is respectfully submitted to this Honourable Court this 15th day of January 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

APPENDIX A

Claims Process Order

COURT FILE NUMBER Q.B. No. 1884 of 2019

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

JUDICIAL CENTRE SASKATOON

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 1985, c C-36, AS
AMENDED (the "CCAA")

AND

IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT FOR THE CREDITORS OF
101098672 SASKATCHEWAN LTD., MORRIS INDUSTRIES LTD., MORRIS SALES AND SERVICE
LTD., CONTOUR REALTY INC., and MORRIS INDUSTRIES (USA) INC.

CLAIMS PROCESS ORDER

Before the Honourable Mr. Justice R.S. Smith in Chambers the 16th day of January, 2020.

Upon application by Ian Sutherland and Craig Frith, counsel on behalf of 101098672 Saskatchewan Ltd., Morris Industries Ltd., Morris Sales and Service Ltd., Contour Realty Inc. and Morris Industries (USA) Inc. (collectively, the "**Applicants**") and upon hearing from Jeffrey M. Lee, Q.C. and Paul Olfert, counsel on behalf of the Monitor, Alvarez & Marsal Canada Inc. (the "**Monitor**"), and upon hearing from counsel on behalf of other parties present, and upon reading the Notice of Application dated the 16th day of January, 2020, the First Report of the Monitor dated January 14, 2020 (the "**First Report**"), and the Draft Order (collectively, the "**Application Materials**"), all filed with proof of service; and upon reading the pleadings and proceedings herein;

THE COURT ORDERS:

DEFINITIONS

1. All capitalized terms used and not otherwise defined herein shall have the same meanings as defined in the Initial Order granted on January 8, 2020 in these proceedings by the Honourable Mr. Justice R.S. Smith (the "**Initial Order**").
2. For the purposes of this Order the following terms shall have the following meanings:
 - (a) "**Alternative Timeline**" means the alternative Claims Process deadlines set out in paragraph 21 hereof which are applicable if the Monitor issues a Notice of Revision or Disallowance dated on or after February 12, 2020;
 - (b) "**BIA**" means the *Bankruptcy and Insolvency Act* (Canada), as amended;
 - (c) "**Business Day**" means a day, other than a Saturday, Sunday or a statutory holiday, on which banks are generally open for business in Saskatoon, Saskatchewan;
 - (d) "**Calendar Day**" means a day, including a Saturday, Sunday and any statutory holidays;
 - (e) "**Case Website**" means the website referenced in paragraph 39 of the Initial Order and as defined in the Electronic Case Information and Service Protocol attached as Schedule "C" thereto;

- (f) **“CCAA Proceedings”** means the CCAA proceedings respecting the Applicants before the Court;
- (g) **“Claim”** shall exclude an Excluded Claim (as defined herein) but shall include any right or claim of any Person (as defined herein) against an Applicant, whether or not asserted, in connection with any indebtedness, liability, or obligation of any kind of the Applicant owed to such Person, and any interest accrued thereon or costs payable in respect thereon, including any indebtedness, liability or obligation owed to such Person as a result of any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty), any right of ownership of or title to property or assets or to a trust or deemed trust against any Property, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts which existed prior to the Filing Date, and any right or claim of any Person against an Applicant in connection with indebtedness, liability or obligation of any kind whatsoever owed by the Applicant to such Person arising out of the restructuring, disclaimer, resiliation, termination or breach on or after the Filing Date of any contract, lease or other agreement, whether written or oral, and whether such restructuring, disclaimer, resiliation, termination or breach took place or takes place before or after the Filing Date;
- (h) **“Claim Amount Notice”** means the Claim Amount Notice referred to herein to form part of the Claims Package where applicable, substantially in the form attached hereto as Schedule “B”;
- (i) **“Claimant”** means a Person asserting a Claim in accordance with the Claims Process contained in this Order;
- (j) **“Claims Bar Date”** means 4:00 p.m. Saskatchewan time on March 2, 2020;
- (k) **“Claims Package”** means the materials to be provided by the Monitor, which materials shall include the Notice to Creditor, the Claim Amount Notice (if applicable), blank Proof of Claim Form with a Proof of Claim instruction letter, the List of Claims and such other materials and information as the Monitor or the Applicants may consider appropriate or desirable;
- (l) **“Claims Process”** means the procedures outlined in this Order in connection with the assertion of a Claim against an Applicant;
- (m) **“Court”** means the Court of Queen’s Bench for Saskatchewan;
- (n) **“Creditor”** means any Person having a Claim including a transferee or assignee of a transferred Claim that is recognized as a Creditor in accordance with paragraph 24 hereof, or a trustee, executor, liquidator, receiver, receiver and manager or other person acting on behalf of or through such Person;
- (o) **“Employee Priority Claims”** means the following Claims of employees and former employees of the Applicant:
- (i) Claims equal to the amount that such employees and former employees are entitled to receive under subsection 136(1)(d) of the BIA; and

- (ii) Claims for wages, salaries, commissions or compensation for services rendered by them after the Filing Date and on or before the date that the Plan is implemented together with, in the case of travelling salespersons, disbursements properly incurred by them in relation to the Applicant's business during the same period;
- (p) **"Excluded Claim"** means any of:
- (i) the reasonable fees and expenses incurred by the Applicants, and its counsel, and the Monitor, and its counsel in regard to the CCAA Proceedings;
 - (ii) Employee Priority Claims;
 - (iii) Government Priority Claims; and
 - (iv) claims enumerated in sections 5.1(2) and 19(2) of the CCAA;
- (q) **"Filing Date"** means January 8, 2020, being the date upon which the Initial Order was granted;
- (r) **"List of Claims"** means the list of Claims and Creditors prepared by the Applicant and approved by the Monitor, including all known Claims and Creditors and the amounts of each Claim or, where the amount of the Claim is unknown, a notation that the amount is "unknown";
- (s) **"Notice to Creditor"** means the notice to be sent by the Applicant to its Creditors, or to be published, as described herein, substantially in the form attached as Schedule "A" hereto;
- (t) **"Notice of Dispute"** means the notice referred to herein, substantially in the form attached as Schedule "E" hereto, which may be delivered to the Monitor and the Applicant by a Claimant disputing a Notice of Revision or Disallowance;
- (u) **"Notice of Revision or Disallowance"** means the notice referred to herein, substantially in the form attached as Schedule "D" hereto, advising a Claimant that the Applicant has revised or disallowed all or part of such Claimant's Claim as set out in its Proof of Claim;
- (v) **"Person"** means any individual, firm, corporation, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, joint venture, government or any agency or instrumentality thereof or any other entity;
- (w) **"Plan"** means any plan of compromise and arrangement that may be brought forward by the Applicants or any other party;
- (x) **"Proof of Claim"** means the Proof of Claim referred to herein to be attached to the Claim Amount Notice and filed by certain Creditors substantially in the form attached as Schedule "C" hereto; and
- (y) **"Proven Claim"** means a Claim, as finally determined, including for the purposes of voting and distribution under the Plan, in accordance with paragraphs **Error! Reference source not found.** or 17-19.

CLAIMS PROCESS

3. The Claims Process is hereby approved.

NOTICE OF CLAIMS PACKAGE

4. Within ten (10) Business Days of the date of this Order, the Monitor shall send the Claims Package to each Creditor with a Claim as evidenced by the books and records of the Applicants as of the Filing Date.
5. The Proof of Claim to be delivered to each such Creditor as part of the Claims Package shall provide general information and instructions in respect of the filing of Claims.
6. The Monitor shall cause the Notice to Creditor to be published in *The Globe and Mail (National Edition)*, the *Saskatoon Star-Phoenix*, the *Regina Leader-Post*, and the *Winnipeg Free Press* within five (5) Business Days of the date of this Order.
7. The Monitor shall cause the Claims Package and a copy of this Order to be posted on the Case Website within five (5) Business Days of the date of this Order.
8. To the extent that any Creditor requests documents relating to the Claims Process prior to the Claims Bar Date or if the Applicants or the Monitor become aware of any further Claims, the Monitor shall forthwith direct the Creditor to the Claims Package posted on the Case Website or otherwise respond to the request for the Claims Package as may be appropriate in the circumstances.
9. The forms of Notice to Creditor, Claim Amount Notice, Proof of Claim, Notice of Revision or Disallowance and Notice of Dispute attached hereto as Schedules "A" to "E", respectively, are hereby approved. Despite the foregoing, the Applicants and the Monitor may, from time to time, make non-substantive changes to these forms as the Applicants and the Monitor consider necessary or desirable.
10. The sending to the Creditors and publication of the Claims Package in accordance with this Order, and completion of the other requirements of this Order, shall constitute good and sufficient service and delivery of notice of this Order and the Claims Bar Date on all Persons who may be entitled to receive notice and who may wish to assert a Claim, and no other notice or service need be given or made and no other document or materials need be sent to or served upon any Person in respect of this Order.
11. The delivery of a Claims Package by the Monitor to a Person shall not constitute an admission by the Applicants or the Monitor of any liability.

DEEMED ACCEPTANCE OF CLAIMS

12. Notwithstanding anything else in this Order, the Monitor may provide a Claim Amount Notice to a Creditor setting out the amount of any Claim that Creditor has against an Applicant according to the books and records of the Applicant. If a Creditor wishes to object to the amount listed on the Claim Amount Notice in respect of its Claim, the Creditor must, on or before the Claims Bar Date, deliver a Proof of Claim to the Monitor. If a Creditor does not deliver a Proof of Claim in respect of a Claim included in a Claim Amount Notice, the amount of that Creditor's Claim as set out in the Claim Amount Notice the Creditor shall be deemed to have accepted the Claim, and the Claim shall be deemed to be such Creditor's Proven Claim for voting and distribution purposes under any Plan, without any further act of any such Creditor.
13. The Monitor may revise the amount of a Claim to correct any error, defect or omission in a Claim Amount Notice. If the Monitor revises the amount of a Claim, then it shall send a revised Claim Amount Notice to the affected Creditor.

FILING PROOFS OF CLAIM

14. Any Person with a Claim must deliver a Proof of Claim to the Monitor, with a copy to the Applicants, on or before the Claims Bar Date or such later date as the Monitor may agree in writing or the Court may otherwise direct. Any Person with a Claim who fails to deliver a Proof of Claim to the Monitor shall:
- (a) be and is hereby forever barred, estopped and enjoined from asserting or enforcing any Claim against the Applicants, and all such Claims shall be forever extinguished;
 - (b) not be permitted to vote on any Plan, if applicable, on account of such Claim(s);
 - (c) not be entitled to receive further notice with respect to the Claims Process or the CCAA Proceedings; and
 - (d) not be permitted to participate in any distribution under the Plan or otherwise on account of such Claim(s).

This paragraph 14 shall survive any termination of the CCAA Proceedings.

15. A Proof of Claim must be filed in respect of every Claim, regardless of whether or not a legal proceeding in respect of a Claim has been previously commenced.
16. Each Person shall include any and all Claims in a single Proof of Claim.

ADJUDICATION OF CLAIMS

17. The Monitor, in consultation with the Applicants shall review all Proofs of Claim received on or before the Claims Bar Date and shall accept, revise or reject each Claim. If the Monitor intends to revise or reject a Claim, the Monitor shall notify the Claimant who has delivered such Proof of Claim that such Claim as set out therein has been revised or rejected and the reasons therefore, by sending a Notice of Revision or Disallowance to the Claimant by no later than ten (10) Calendar Days after receipt of the Proof of Claim from the Claimant. Where the Monitor does not send a Notice of Revision or Disallowance to a Claimant by such date, the Applicants and the Monitor shall be deemed to have accepted such Claimant's Claim in the amount set out in that Claimant's Proof of Claim.
18. Any Claimant who intends to dispute a Notice of Revision or Disallowance shall:
- (a) deliver a completed Notice of Dispute to the Monitor by the later than ten (10) Calendar Days from the date the Notice of Revision or Disallowance was delivered by the Monitor to the Claimant or such other date as may be agreed to by the Monitor in writing; and
 - (b) within 15 Calendar Days of delivery of the Notice of Dispute, file and serve on counsel for the Applicants and the Monitor and all counsel listed on the Service List a Notice of Application returnable in the CCAA Proceedings along with supporting affidavit materials seeking to determine the validity of that portion of the Claimant's Claim that was disallowed by the Monitor, the hearing of such application to be on a date agreed upon by the parties to the application and subject to the Court's availability.
19. Where a Claimant that receives a Notice of Revision or Disallowance does not file a completed Notice of Dispute and file and serve the Notice of Application and supporting affidavit(s) by the time set out herein in paragraph [18], such Claimant's Claim shall be deemed to be as set out in the Notice of Revision or Disallowance.

20. Where the value of a Claimant's Claim has not been finally determined by the Court by the date of a meeting to consider a Plan, the Monitor shall, in consultation with the Applicants, either:
- (a) accept the Claimant's determination of the value of the Claim as set out in the applicable Proof of Claim or Notice of Dispute only for the purposes of voting, and conduct the meeting on that basis subject to a final determination of such Claimant's Claim for the purposes of distribution or otherwise, and in such case the Monitor shall record separately the value of such Claimant's Claim and whether such Claimant voted in favour of or against the Plan;
 - (b) adjourn the meeting until a final determination of the Claim is made; or
 - (c) deal with the matter as the Court may otherwise direct or as the Applicants, the Monitor and the Claimant may otherwise agree.

ALTERNATIVE TIMELINE

21. In the event the Monitor sends a revised Claim Amount Notice to an affected Creditor pursuant to paragraph 17 hereof which is dated on or after February 12, 2020, the following timeline will apply to the adjudication of such Creditor's Claim (the "**Alternative Timeline**"):

Deadline for the affected Creditor to deliver a Proof of Claim to the Monitor:	15 Calendar Days from the day on which the revised Claim Amount Notice is dated
Deadline for the Monitor to deliver a Notice of Revision or Disallowance to the affected Creditor:	10 Calendar Days from the day on which the Proof of Claim is received by the Monitor
Deadline for the affected Creditor to deliver a Notice of Dispute to the Monitor:	15 Calendar Days from the day on which the Notice of Revision or Disallowance is dated
Deadline for the affected Creditor to file a Notice of Application and serve it on counsel on the Service List:	15 Calendar Days from the day on which the Notice of Dispute was delivered to the Monitor

For further clarity, if the revised Claim Amount Notice is dated on or before February 12, 2020, the timeline provisions appearing in paragraphs 17-20 will apply to the adjudication of such Creditor's Claim.

SET-OFF

22. An Applicant may set off (whether by way of legal, equitable or contractual set-off) against payments or other distributions to be made pursuant to any Plan to any Claimant, any claims of any nature whatsoever that the Applicants may have against such Claimant, however, neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Applicants of any such claim that the Applicant may have against such Claimant.

NOTICE OF TRANSFEREES

23. Leave is hereby granted, from the date of this Order until seven (7) days prior to the date fixed by the Court for a meeting of Claimants to vote on a Plan, to permit a Claimant to provide written notice to the Applicants and the Monitor of assignment or transfer of a Claim.

24. Subject to the terms of any subsequent Order of this Court, if, after the Filing Date, the holder of a Claim transfers or assigns the whole of such Claim to another Person, neither the Monitor nor the Applicants shall be obligated to give notice or otherwise deal with the transferee or assignee of such Claim in respect thereof unless and until actual notice of transfer or assignment, together with satisfactory evidence of such transfer or assignment, shall have been received and acknowledged by the Monitor in writing and thereafter such transferee or assignee shall for the purposes hereof constitute the "Claimant" in respect of such Claim. Any such transferee or assignee of a Claim shall be bound by any notices given or steps taken in respect of such Claim in accordance with this Order prior to receipt and acknowledgement by the Monitor of satisfactory evidence of such transfer or assignment. A transferee or assignee of a Claim takes the Claim subject to any rights of set-off to which the Applicants may be entitled with respect to such Claim. For greater certainty, a transferee or assignee of a Claim is not entitled to set-off, apply, merge, consolidate or combine any Claims assigned or transferred to it against or on account or in reduction of any amounts owing by such Person to the Applicants. No transfer or assignment shall be effective for voting purposes unless sufficient notice and evidence of such transfer has been received by the Monitor no later than 4:00 p.m. on the date that is seven (7) Calendar Days prior to the date fixed by the Court for the meeting of Claimants to vote on a Plan, failing which the original transferor shall have all applicable rights as the "Creditor" with respect to such Claim as if no transfer of the Claim had occurred. Reference to transfer in this Order includes a transfer or assignment whether absolute or intended as security.

SERVICE AND NOTICE

25. The Applicants and the Monitor may, unless otherwise specified by this Order, serve and deliver the Claims Package, any letters, notices or other documents to Creditors or any other interested Person by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, facsimile transmission or email to such Persons at the physical or electronic address, as applicable, last shown on the books and records of the Applicants or set out in such Claimant's Proof of Claim. Any such service and delivery shall be deemed to have been received: (i) if sent by ordinary mail, the fifth Business Day after mailing; (ii) if sent by courier or personal delivery, on the next Business Day following dispatch; and (iii) if delivered by facsimile transmission or by email by 4:00 p.m. on a Business Day, on such Business Day and if delivered after 4:00 p.m. or other than on a Business Day, on the following Business Day.
26. Any notice or communication required to be provided or delivered by a Creditor or Claimant to the Applicant or the Monitor under this Order shall be in writing in substantially the form, if any, provided for in this Order and will be sufficiently given only if delivered by prepaid registered mail, courier, personal delivery, facsimile transmission or email addressed to:
- Alvarez & Marsal Canada Inc.**
Suite 1110, 250 6th Avenue SW
Calgary, AB T2P 3H7
Attention: Ms. Marianna Lee
Email: morris.claims@alvarezandmarsal.com
27. Any such notice or communication delivered by a Creditor shall be deemed to be received upon actual receipt thereof by the Monitor during normal business hours on a Business Day or if delivered outside of normal business hours, the next Business Day.
28. If during any period during which notices or other communications are being given pursuant to this Order a postal strike or postal work stoppage of general application should occur, such notices or other communications sent by ordinary mail and then not received shall not, absent further Order of this Court, be effective and notices and other communications given hereunder during the course of any such postal strike or work stoppage of general application shall only be effective if given by courier, personal delivery, facsimile transmission or email in accordance with this Order.

29. In the event this Order is later amended by further Order of this Court, the Monitor may post such further Order on the Case Website and such posting shall constitute adequate notice to creditors of such amended Claims Process.

PROTECTIONS FOR MONITOR

30. In carrying out the terms of this Order, the Monitor shall have all of the protections given to it by the CCAA and the Initial Order and as an officer of this Court, including the stay of proceedings in its favour.
31. The Monitor shall incur no liability or obligation as a result of the carrying out of the provisions of this Order.
32. The Monitor shall be entitled to rely on the books and records of the Applicants, and any information provided by the Applicants, all without independent investigation. The Monitor shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

GENERAL PROVISIONS

33. The Applicants and their respective directors, officers, employees, agents and representatives and any other Person given notice of this Order shall fully cooperate with the Monitor in the exercise of its powers and the discharge of its duties and obligations under this Order.
34. Nothing in this Order shall prejudice the rights and remedies of any Person under any applicable insurance policy or prevent or bar any Person from seeking recourse against or payment from an Applicants' insurance, provided, however, that nothing in this Order shall create any rights in favour of such Person under any policies of insurance nor shall anything in this Order limit, remove, modify or alter any defence to such Claim available to the insurer pursuant to the provisions of any insurance policy or at law; and further provided that any Claim or portion thereof for which the Person receives payment directly from, or confirmation that the Person is covered by, the Applicants' insurance shall not be recoverable as against the Applicants.
35. The Applicants and the Monitor are hereby authorized to use reasonable discretion as to the adequacy of compliance with respect to the manner in which any forms delivered hereunder are completed and executed and the time in which they are submitted, and may, where they are satisfied that a Claim has been adequately proven, waive strict compliance with the requirements of this Order, including in respect of the completion, execution and time of delivery of such forms, and may request any further documentation from a Claimant that the Applicants or the Monitor may require in order to enable them to determine the validity of a Claim.
36. All references as to time herein shall mean local time in Saskatoon, Saskatchewan, Canada ("**Saskatchewan Time**"), and any reference to an event occurring on a Business Day shall mean prior to 4:00pm on such Business Day unless otherwise indicated herein.
37. Any Claim denominated in foreign currency shall be converted to Canadian dollars at the Bank of Canada noon exchange rate in effect at the Filing Date.
38. Notwithstanding any other provisions of this Order, the solicitation by the Monitor or the Applicants of Proofs of Claim and the filing by any Claimant of any Proof of Claim shall not, for that reason only, grant any Person any standing in these proceedings or rights under any proposed Plan.
39. Nothing in this Order shall constitute or be deemed to constitute an allocation or assignment of Claims or Excluded Claims by the Applicants into particular affected or unaffected classes for the purpose of a plan of compromise or arrangement.

40. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested:
- (a) to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order;
 - (b) to grant representative status to the Monitor in any foreign proceeding; and
 - (c) to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.
41. The Applicants and/or the Monitor shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and the Monitor is authorized and empowered to act as a representative in respect of these proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.
42. Any interested Person (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.
43. This Order and all of its provisions are effective as of 12:01 a.m. Saskatchewan Time on the date of the issuance of this Order.

ISSUED at the City of Saskatoon, in the Province of Saskatchewan, this _____ day of January, 2020.

DEPUTY LOCAL REGISTRAR

This Order was delivered by:

McDougall Gauley LLP
Barristers & Solicitors
500 – 616 Main Street
Saskatoon, SK S7H 0J6
Attention: Ian Sutherland and Craig Frith

ATTENTION: _____
TELEPHONE NO:
FAX NO.:
EMAIL ADDRESS:

TO: ALL PERSONS LISTED ON THE SERVICE LIST

SCHEDULE "A"

NOTICE TO CREDITOR

[Date]

TO: [NAME AND ADDRESS OF CREDITOR OR INTERESTED PARTY]

RE: IN THE MATTER OF A CLAIMS PROCESS ORDER UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT* OBTAINED BY 101098672 SASKATCHEWAN LTD., MORRIS INDUSTRIES LTD., MORRIS SALES and SERVICE LTD., CONTOUR REALTY INC., and MORRIS INDUSTRIES (USA) INC. (the "**Applicants**")

On January 8, 2020, the Applicants commenced proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 (the "**CCAA**") and obtained protection under the CCAA and Alvarez & Marsal Canada Inc. has been appointed as the Monitor.

As part of the CCAA Proceedings, the Court of Queen's Bench for Saskatchewan has ordered that a Claims Process be initiated in order that all claims against the Applicant can be determined.

Only a creditor who establishes their claim against an Applicant in accordance with the Claims Process will be entitled to receive a distribution on account of such claim against that Applicant.

The Order establishing the Claims Process granted by the Honourable _____ Justice _____ on [DATE], as well as all relevant instructions and documents related to the Claims Process, including the Claim Amount Notice, List of Claims and Proof of Claim form, can be obtained from the Monitor's webpage located at www.alvarezandmarsal.com/morris or by contacting the Monitor at the following:

**Alvarez & Marsal Canada Inc.
Suite 1110, 250 6th Avenue SW
Calgary, AB T2P 3H7
Attention: Ms. Marianna Lee
Email: morris.claims@alvarezandmarsal.com**

The deadline for a creditor to submit a Proof of Claim, if required under the Claim Procedure, in respect of any claim it has, or believes it has, against the Applicant is 4:00 p.m. Saskatchewan time on March 2, 2020 (the "**Claims Bar Date**").

Claims which are not submitted to the Monitor by way of Proof of Claim, or otherwise acknowledged by a Claim Amount Notice, on or before the Claims Bar Date will be forever barred and Creditors holding such Claims will be forever barred from making or enforcing any Claim against the Applicant, and the Claim shall be forever released and extinguished.

Yours truly,

SCHEDULE "B"

CLAIM AMOUNT NOTICE

COURT FILE NUMBER Q.B. No. 1884 of 2019

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

JUDICIAL CENTRE SASKATOON

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, RSC 1985, c C-36, AS
AMENDED (the "CCA")**

AND

**IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT FOR THE CREDITORS OF
101098672 SASKATCHEWAN LTD., MORRIS INDUSTRIES LTD., MORRIS SALES AND SERVICE
LTD., CONTOUR REALTY INC., and MORRIS INDUSTRIES (USA) INC. (the "Applicants")**

CLAIM AMOUNT NOTICE

Full Legal Name of Creditor: _____

Pursuant to the Order of the Honourable ____ Justice _____, pronounced in the above noted proceedings on _____, 2020, and as may be amended, restated or supplemented from time to time (the "**Claims Process Order**"), Alvarez & Marsal Canada Inc. in its capacity as Monitor of the Applicants hereby gives you notice that the Applicants, in consultation with the Monitor, have determined your Claim as follows:

	SECURED (\$CDN)	UNSECURED (\$CDN)
Total Claim		

If you do not agree with this Claim Amount Notice, please take note of the following:

If you intend to dispute this Claim Amount Notice, you must deliver a Proof of Claim in the form attached hereto, by prepaid registered mail, personal delivery, email (in PDF format), courier or facsimile transmission to the address listed below so that such Proof of Claim is received by the Monitor by 4:00 p.m. Saskatchewan time on March 2, 2020, being the Claims Bar Date, or such other date as provided in the Claims Process Order or as may be agreed by the Monitor. The form of Proof of Claim is attached to this Notice.

The address to send the Proof of Claim to is:

Alvarez & Marsal Canada Inc.
Suite 1110, 250 6th Avenue SW
Calgary, AB T2P 3H7
Attention: Ms. Marianna Lee
Email: morris.claims@alvarezandmarsal.com

If you do not deliver a Proof of Claim by the time specified, the nature and amount of your Claim, if any, shall be as set out in this Claim Amount Notice for voting and/or distribution purposes.

If you fail to take action before the Claims Bar Date, this Claim Amount Notice will be binding upon you.

DATED this _____ day of _____, 2020.

Alvarez & Marsal Canada Inc.,
In its capacity as Court-appointed Monitor of the Applicant
and not in its personal or corporate capacity

Per: _____

Name: _____

Title: _____

SCHEDULE "C"

PROOF OF CLAIM

COURT FILE NUMBER Q.B. No. 1884 of 2019

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

JUDICIAL CENTRE SASKATOON

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, RSC 1985, c C-36, AS
AMENDED (the "CCA")**

AND

**IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT FOR THE CREDITORS OF
101098672 SASKATCHEWAN LTD., MORRIS INDUSTRIES LTD., MORRIS SALES AND SERVICE
LTD., CONTOUR REALTY INC., and MORRIS INDUSTRIES (USA) INC.**

Full Name of Creditor: _____
(the "**Creditor**")

Full Mailing Address of Creditor: _____
(All notices and correspondence regarding your Claim will be forwarded to this address) _____

Fax No. _____

Telephone No. _____

Email: _____

Attention: _____

CERTIFICATION AS TO CLAIM

I do hereby certify that (*please see notes below for further instructions*):

1. I am a creditor, or representative of a creditor, of one or more of 101098672 Saskatchewan Ltd., Morris Industries Ltd., Morris Sales and Service Ltd., Contour Realty Inc., and Morris Industries (USA) Inc. (collectively, the "**Applicants**").
2. I have knowledge of all of the circumstances connected with the claim referred to in this form.
3. As of this date, one or more of the Applicants was, and still is, indebted to the Creditor in the amount of CAD\$ _____ including contract interest and charges (the "**Claim**").
4. A description of the basis on which the Claim arose is as follows:

5. I attach the following documents which support the Claim and any claim for contract interest or other charges:

(a)

(b)

(c)

DATED THIS _____ DAY OF _____, 2020.

Signature:

(Please Print Name)

Instructions for Completion of Proof of Claim:

- Ensure that you complete the full name and delivery address, including fax number and/or email address, of the creditor making the claim.
- The Proof of Claim is incomplete unless you include a statement and description of the Claim and attach all supporting documents including statements of accounts and/or invoices in support (item 5). The supporting documents must show the date, number and value of all invoices or charges, and must conform to the amount of the Claim as set out in item 4.
- The Proof of Claim is incomplete unless it is signed and dated by you.
- The signed and completed Proof of Claim, together with all supporting documents, must be returned to the Monitor, Alvarez & Marsal Canada Inc., at the following address 4:00 p.m. Saskatchewan time on March 2, 2020:

**Alvarez & Marsal Canada Inc.
Suite 1110, 250 6th Avenue SW
Calgary, AB T2P 3H7
Attention: Ms. Marianna Lee
Email: morris.claims@alvarezandmarsal.com**

- Pursuant to the order of the Honourable _____ Justice _____, pronounced in the above noted proceedings on _____, 2020, and as may be amended, restated or supplemented from time to time (the “**Claims Process Order**”), the Monitor, in consultation with the Applicants, is entitled to disallow your Proof of Claim in whole or in part. If your Proof of Claim is disallowed in whole or in part, the Monitor will send you a Notice of Revision or Disallowance along with particulars as to how you may dispute the Notice of Revision or Disallowance. If you do not receive a Notice of Revision or Disallowance in accordance with the timelines set out in the Claims Process Order, the Monitor has accepted your Proof of Claim.
- **Please contact the Monitor at the address and email set out above if you have any questions about completing your Proof of Claim. Unless your Claim appears in a Claim Amount Notice provided with this Proof of Claim, any failure to properly complete or return your Proof of Claim to the Monitor at the above address by 4:00 p.m. Saskatchewan time on March 2, 2020 will result in your Claim being extinguished without any further entitlement to recover your Claim from the Applicant.**

SCHEDULE "D"

NOTICE OF REVISION OR DISALLOWANCE

COURT FILE NUMBER Q.B. No. 1884 of 2019

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

JUDICIAL CENTRE SASKATOON

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, RSC 1985, c C-36, AS
AMENDED (the "CCA")

AND

IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT FOR THE CREDITORS OF
101098672 SASKATCHEWAN LTD., MORRIS INDUSTRIES LTD., MORRIS SALES AND SERVICE
LTD., CONTOUR REALTY INC., and MORRIS INDUSTRIES (USA) INC. (the "Applicants")

NOTICE OF REVISION OR DISALLOWANCE

Name of Creditor: _____

Pursuant to the Claims Process Order made herein on _____, 2020, Alvarez & Marsal Canada Inc. (the "Monitor"), gives you notice that your Proof of Claim has been reviewed and the Monitor, in consultation with the Applicants, has revised or disallowed your Proof of Claim for the following reasons:

If you wish to object to the Notice of Revision or Disallowance, you must, within ten (10) Calendar Days from delivery of the Notice of Revision or Disallowance by the Monitor, deliver a Notice of Dispute to the address below:

Alvarez & Marsal Canada Inc.
Suite 1110, 250 6th Avenue SW
Calgary, AB T2P 3H7
Attention: Ms. Marianna Lee
Email: morris.claims@alvarezandmarsal.com

DATED this _____ day of _____, 2020.

Alvarez & Marsal Canada Inc.
In its capacity as Court-appointed Monitor
of the Applicant and not in its personal or corporate capacity

Per: _____

Name: _____

Title: _____

SCHEDULE "E"

NOTICE OF DISPUTE

COURT FILE NUMBER Q.B. No. 1884 of 2019

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

JUDICIAL CENTRE SASKATOON

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, RSC 1985, c C-36, AS
AMENDED (the "CCA")**

AND

**IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT FOR THE CREDITORS OF
101098672 SASKATCHEWAN LTD., MORRIS INDUSTRIES LTD., MORRIS SALES AND SERVICE
LTD., CONTOUR REALTY INC., and MORRIS INDUSTRIES (USA) INC. (the "Applicants")**

NOTICE OF DISPUTE

**TO: Alvarez & Marsal Canada Inc.
Suite 1110, 250 6th Avenue SW
Calgary, AB T2P 3H7
Attention: Ms. Marianna Lee
Email: morris.claims@alvarezandmarsal.com**

Full Name of Creditor: _____ (the "Creditor")

This is to advise that the Creditor is in receipt of the Notice of Revision or Disallowance issued by the Monitor in these proceedings and that the above noted Creditor disputes such Notice.

DATED THIS _____ DAY OF _____, 2020.

Signature:

(Please Print Name)

APPENDIX B

Cash Flow Forecast and Management Representation Letter

January 14, 2020

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

Attention: Orest Konowalchuk

**Re: Proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") for
101098672 Saskatchewan Ltd., Morris Industries Ltd., Morris Sales and Service Ltd.,
Contour Realty Inc. and Morris Industries (USA) Inc. (collectively, the "Morris Group" or
the "Companies")
Responsibilities/Obligations and Disclosure with Respect to Cash Flow Projections**

In connection with the application by the Morris Group for the commencement of proceedings under the CCAA in respect of the Companies, the management of the Companies ("**Management**") prepared the attached cash flow statement and the assumptions on which the cash flow statement is based.

The Morris Group confirms that:

1. the cash flow statement and the underlying assumptions are the responsibility of the Morris Group;
2. all material information relevant to the cash flow statement and to the underlying assumptions has been made available to Alvarez & Marsal Canada Inc. in its capacity as Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
 - a. that the individual assumptions underlying the cash flow statement are appropriate in the circumstances;
 - b. that the assumptions underlying the cash flow statement, taken as a whole, are appropriate in the circumstances; and
 - c. that all relevant assumptions have been properly presented in the cash flow statement or in the notes accompanying the cash flow statement.
4. Management understands and agrees that the determination of what constitutes a material adverse change in the projected cash flow or financial circumstances, for the purposes of our monitoring the on-going activities of the Debtor, is ultimately at your sole discretion, notwithstanding that Management may disagree with such determination.
5. Management understands its duties and obligations under the CCAA and that breach of these duties and obligations could make the Morris Group's Management liable to fines and imprisonment in certain circumstances.



**CORPORATE OFFICE
and TRAINING CENTRE**
2131 Airport Drive
Saskatoon, SK Canada S7L 7E1
Tel: 306-933-8585
Fax: 306-933-8626

**MANUFACTURING and
RESEARCH & DEVELOPMENT**
85 York Road
Yorkton, SK Canada S3N 3Z4
Tel: 306-783-8585
Fax: 306-782-5250

MANUFACTURING
284 - 6th Ave. N.W.
Minnedosa, MB Canada R0J 1E0
Tel: 204-867-2713
Fax: 204-867-2678

6. The cash flow statement and assumptions have been reviewed and approved by the Debtor's board of directors or Management has been duly authorized by the Morris Group's board of directors to prepare and approve the cash flow assumptions.

Yours Truly,

A handwritten signature in black ink, appearing to read 'K. Adair', is written over a horizontal line.

Kevin Adair
President and COO

MORRIS GROUP
13 Week Cash Flow Forecast - Prepared by Management
For the Period Ending April 10, 2020
(in CAD \$000s)

<i>For the Week Ending</i>	<i>Notes</i>	Week 1 17-Jan-20	Week 2 24-Jan-20	Week 3 31-Jan-20	Week 4 07-Feb-20	Week 5 14-Feb-20	Week 6 21-Feb-20	Week 7 28-Feb-20	Week 8 06-Mar-20	Week 9 13-Mar-20	Week 10 20-Mar-20	Week 11 27-Mar-20	Week 12 03-Apr-20	Week 13 10-Apr-20	Week 1 to 13 Total
Receipts															
Accounts receivable and confirmed orders	1	5	132	345	235	-	54	-	219	-	137	409	153	0	1,689
Collection of forecast sales	2	19	19	19	19	33	33	33	33	67	67	67	67	125	599
Collection of Foreign EDC insured receivable	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net proceeds from sale of excess inventory	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other collections		-	-	-	50	-	-	-	50	-	-	-	-	50	150
Total Receipts		24	151	364	304	33	87	33	302	67	204	476	220	175	2,439
Disbursements															
Production costs	5	123	118	136	101	93	98	93	108	98	104	113	99	101	1,384
Operating expenses	6	29	13	92	13	16	35	92	34	15	22	62	29	30	483
Insurance costs		34	18	28	-	-	34	63	-	-	34	63	-	-	273
Payroll and related	7	-	332	-	332	-	332	-	332	-	332	-	332	-	1,992
Pension	7	-	-	93	-	-	-	93	-	-	-	93	-	-	280
Marketing costs	8	-	65	-	-	-	65	-	-	-	65	-	-	-	195
Rent	9	-	-	54	-	-	-	54	-	-	-	54	-	-	161
Other operating costs	10	5	12	35	94	5	8	35	94	5	8	35	94	4	434
DIP Facility commitment fee / other	11	25	171	-	-	-	-	-	-	-	-	-	-	-	196
DIP Facility interest costs	11	-	-	-	19	-	-	-	35	-	-	-	48	-	102
Professional fees	12	209	10	-	410	-	5	295	30	-	90	-	260	-	1,308
Total Operating Disbursements		424	739	439	968	115	577	725	632	117	656	420	862	134	6,807
Net Operating Cash Flow		\$ (400)	\$ (588)	\$ (75)	\$ (664)	\$ (82)	\$ (491)	\$ (692)	\$ (330)	\$ (50)	\$ (452)	\$ 57	\$ (642)	\$ 41	\$ (4,369)
Proposed Interim Financing (DIP Facility)															
Proposed Maximum Available DIP, subject to Court approval	11	\$ 5,700	\$ 5,700	\$ 5,700	\$ 5,700	\$ 5,700									
Opening Balance		1,243	1,643	2,231	2,306	2,969	3,052	3,542	4,235	4,565	4,615	5,067	5,010	5,653	1,243
Draws (Repayments)		400	588	75	664	82	491	692	330	50	452	(57)	642	(41)	4,369
Ending DIP Balance (Cash)		1,643	2,231	2,306	2,969	3,052	3,542	4,235	4,565	4,615	5,067	5,010	5,653	5,611	5,611
DIP Availability during the Period		4,057	3,469	3,394	2,731	2,648	2,158	1,465	1,135	1,085	633	690	47	89	89

NOTES AND ASSUMPTIONS

13 Week Cash Flow Forecast - Prepared by Management

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 is based upon certain estimates and assumptions discussed below with respect to operations and certain asset sales, including 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 Expected collections of existing accounts receivable (previously shipped products) and committed orders not yet shipped.
- 2 Forecast sales of parts and new whole good units during the forecast period.
- 3 At this time the Company has not included in this projection a material EDC insured receivable that is expected to be collected on April 30, 2020 as per the contractual agreement with the dealer. Management is comfortable over the certainty of the amount and timing of collection of this receivable.
- 4 Management anticipates that the net proceeds of excess inventory to be received by the end of April will amount to approximately \$1.5 million. Management is executing on an auction process, through third parties, that is anticipated to produce the net proceeds of approximately \$1.5 million.
- 5 Morris Group continues to produce primarily parts for dealers across the Morris Group network, including but not limited to the early order program for which receipts may not be included in the forecast period herein. The Company is also producing select whole good units solely for orders received during the forecast period. Management is continuing to evaluate the consolidation of their two manufacturing locations (Yorkton and Minnedosa) however given the SISF process these plans will not be implemented until after the forecast period.
- 6 Estimated costs associated with ongoing production and operating activities.
- 7 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 SISF.
- 8 Marketing costs primarily consist of forecast payments of interest to De Lage Landen in respect of floor plan interest costs. Morris is focused on preserving the relationships with its dealers during the CCAA proceedings.
- 9 Rent includes lease payments for all of Morris' currently occupied premises. Management team is evaluating the merits of relocating certain of its premises.
- 10 Other operating costs includes payments of WCB insurance, bank fees, utilities, software, IT, travel and related costs.
- 11 Costs associated with securing and servicing the necessary in place Temporary Bulge Facility and subject to negotiation and finalization, the DIP facility.
- 12 Expected professional fees to be incurred by Morris' professional and legal advisors as well as the CCAA Monitor and Monitor's counsel.

APPENDIX C

Interim Financing Term Sheet

INTERIM FINANCING TERM SHEET

Dated as of January 15, 2020

WHEREAS, the Borrower (as defined below) has requested that the Interim Lender (as defined below) provide financing to fund certain of the Credit Parties' (as defined below) obligations during the pendency of the Credit Parties' proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") commenced on January 8, 2020 in the Court of Queen's Bench for Saskatchewan (the "**Court**") and in accordance with the terms and conditions set out herein;

AND WHEREAS, the Interim Lender has agreed to provide funding in order to fund certain obligations of the Credit Parties in the context of the Credit Parties' CCAA Proceedings in accordance with the terms set out herein;

NOW THEREFORE, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

1. **BORROWER:** **Morris Industries Ltd. & Morris Sales and Service Ltd.** (collectively referred to as the "**Borrower**").
2. **INTERIM LENDER:** **Bank of Montreal** (as lender under the Interim Facility, the "**Interim Lender**").
3. **GUARANTOR:** **101098672 Saskatchewan Ltd., Morris Sales and Service Ltd., Contour Realty Inc., and Morris Industries (USA) Inc.** (the "**Guarantors and each a Guarantor**", and the Guarantors, together with the Borrower, are collectively referred to herein as the "**Credit Parties**" and, individually, a "**Credit Party**").
4. **DEFINED TERMS:** Capitalized terms used in this Interim Financing Term Sheet have the meanings given thereto in Schedule "A".
5. **PURPOSE:** To provide for the short-term liquidity needs of the Credit Parties pursuant to the Cash Flow Forecast while the Credit Parties are under CCAA protection pursuant to the CCAA Proceedings as more fully set forth herein.
6. **CLOSING DATE** The date upon which the Funding Conditions have been satisfied or waived by the Interim Lender (the "**Closing Date**").
7. **INTERIM FACILITY AND MAXIMUM AMOUNT:** A super priority (debtor-in-possession), interim, non-revolving credit facility (the "**Interim Facility**") up to a maximum principal amount of

Cdn.\$5,700,000 (as such amount may be reduced from time to time pursuant to Section 22 hereof, the "**Maximum Amount**"), subject to the terms and conditions contained herein. Interim Advances shall be deposited into the Deposit Account, and utilized by the Credit Parties in accordance with the terms hereof.

Interim advances shall be made to the Borrower from the Interim Facility (such advances being referred to herein as "**Interim Advances**", and "**Interim Advance**" means each such advance) by the Interim Lender in accordance with the conditions set out in Section 16 hereof.

8. **GUARANTEES:**

The obligations under the Interim Facility will be guaranteed by unlimited guarantees by the Guarantors of all obligations of the Borrower in form and substance satisfactory to the Interim Lender (acting reasonably).

9. **CONDITIONS PRECEDENT TO INTERIM ADVANCES:**

The Interim Lender's agreement to make Interim Advances to the Borrower is subject to the satisfaction of the following conditions precedent (these conditions, the "**Funding Conditions**") as determined by the Interim Lender in its sole and absolute discretion (unless otherwise specified herein):

1. The Court shall have issued the Amended and Restated Initial Order on or before **January 16, 2020** (the "**Filing Date**"), substantially in the form attached hereto as Schedule "B", approving this Interim Financing Term Sheet and the Interim Facility, and granting the Interim Lender a charge (the "**Interim Lender Charge**") securing all obligations owing by the Credit Parties to the Interim Lender hereunder including, without limitation, all principal of the Interim Advances, interest thereon and Interim Financing Fees and Expenses (collectively, the "**Interim Financing Obligations**"), which shall have priority over all Liens other than the Permitted Priority Liens, and the Initial Order shall not have been stayed, vacated or otherwise caused to be ineffective or amended, restated or modified in a way that adversely impacts the rights and interests of the Interim Lender, as determined by the Interim Lender (acting reasonably), without the consent of the Interim Lender;

2. The Interim Financing Credit Documentation shall be satisfactory to the Interim Lender, acting reasonably, and shall have been executed by the Credit Parties and the Interim Lender, as applicable;

3. The Interim Lender shall, acting reasonably, be satisfied that the Credit Parties have complied with and are continuing to comply in all material respects with all applicable laws, regulations and policies in relation to their businesses other than as may be permitted under a Restructuring Court Order or as to which any enforcement in respect of non-compliance is stayed by a Restructuring Court Order, provided the issuance of such Restructuring Court Order does not result in the occurrence of an Event of Default;

4. The Interim Lender shall have received a written request for an Interim Advance from the Borrower, substantially in the form of Schedule "C" hereto (a "**Drawdown Certificate**"), which shall be executed by an officer of the Borrower, and shall certify, *inter alia*, that the requested Interim Advance is within the Maximum Amount and the Cash Flow Forecast, and that the Borrower and the other Credit Parties are in compliance with the Interim Financing Credit Documentation and the Restructuring Court Orders;

5. The Interim Lender shall have received the Cash Flow Forecast in accordance with the terms of this Interim Financing Term Sheet;

6. The requested Interim Advance shall not cause the aggregate amount of all outstanding Interim Advances to exceed the Maximum Amount or be greater than the amount shown on the Cash Flow Forecast;

7. All Interim Financing Fees and Expenses for which invoices have been provided to the Borrower, shall have been paid, or will be paid from and at the time of the proceeds of the requested Interim Advance or within such period of time as is acceptable to the Interim Lender in its absolute discretion;

8. All of the representations and warranties of the Credit Parties as set forth in this Interim Financing Term Sheet and in any other Interim

Financing Credit Documentation are true and accurate;

9. No Default or Event of Default has occurred or will occur as a result of the requested Interim Advance;

10. The Interim Lender is satisfied that no Material Adverse Change shall have occurred after the date of the issuance of the Initial Order;

11. There are no Liens ranking in priority to the Interim Lender Charge, other than the Permitted Priority Liens;

12. In any calendar week, the Borrower shall not have made any previous request for an Interim Advance (that is, the Borrower shall only be entitled to request no more than a single Interim Advance in any calendar week).

For greater certainty, the Interim Lender shall not be obligated to make any Interim Advance or otherwise make available any funds pursuant to this Interim Financing Term Sheet unless and until all of the foregoing conditions have been satisfied and all of the foregoing documentation and confirmations have been obtained (for certainty, each of the same as a condition precedent to each Interim Advance), each in form and substance satisfactory to the Interim Lender.

10. COSTS AND EXPENSES

The Borrower shall pay all of the Interim Lender's reasonable legal fees and out-of-pocket disbursements and any costs of realization or enforcement, in each case in connection with or otherwise related to the Interim Facility, the Interim Lender Charge, the Interim Financing Credit Documentation or the CCAA Proceedings (collectively, the "**Interim Financing Fees and Expenses**").

11. INTERIM FACILITY SECURITY AND DOCUMENTATION

All Interim Financing Obligations shall be secured by the Interim Lender Charge.

The Interim Lender Charge shall be a priority Lien, subordinate only to the Permitted Priority Liens. Notwithstanding the foregoing, and subject to the concluding sentence of this paragraph, no proceeds of any Interim Advance may be used to: (a) investigate, object to or challenge in any way

any claims of the Interim Lender against any of the Credit Parties in respect of the Interim Facility; or (b) investigate, object to or challenge in any way the validity or enforceability of the Liens created pursuant to the Interim Lender Charge. Nothing in this paragraph shall restrict the Credit Parties or the Monitor, including the engagement by the Monitor of independent legal counsel, from conducting a claims process in accordance with any Restructuring Court Order (and receiving their fees, costs and expenses therefor), if necessary.

Subject to the Cash Flow Forecast and other limitations set forth herein, the Borrower may only request and apply Interim Advances through the Borrower's existing cash management system with the Bank of Montreal as in existence immediately prior to the Filing Date or otherwise as agreed to with the Interim Lender, acting reasonably. Except as set out in the Cash Flow Forecast, the Borrower shall not effect, and shall not permit to occur, any distribution of funds (whether from proceeds of the Interim Facility or otherwise) from a Credit Party to any subsidiary or affiliate that is not a Credit Party

12. PERMITTED LIENS AND PRIORITY: All Collateral will be free and clear of all other Liens, except for the Permitted Liens.

13. MONITOR: The proposed monitor in the CCAA Proceedings is **Alvarez & Marsal Canada Inc.** (the "**Monitor**"). The Monitor shall be authorized to have direct discussions with the Interim Lender, and subject to any just exceptions, the Interim Lender shall be entitled to receive information from the Monitor as may be requested by the Interim Lender from time to time.

14. REPAYMENT: The Interim Facility shall be repayable in full on the earliest of: (a) the occurrence of any Event of Default hereunder which is continuing and has not been cured; (b) the implementation of a plan of compromise or arrangement within the CCAA Proceedings (a "**Plan**") which has been approved by the requisite majorities of the Credit Parties' creditors and by order entered by the Court; (c) the closing of a CCAA Sale within the CCAA Proceedings which has been approved by orders entered by the Court; (d) conversion of the CCAA Proceedings into a proceeding under the *Bankruptcy and Insolvency Act* (Canada) ("**BIA**") or the termination of the CCAA Proceedings; and (e)

May 8, 2020 (the earliest of such dates being the "**Maturity Date**").

The commitment in respect of the Interim Facility shall expire on the Maturity Date and all amounts outstanding under the Interim Facility shall be repaid in full no later than the Maturity Date, without the Interim Lender being required to make demand upon the Borrower or to give notice that the Interim Facility has expired and the obligations are due and payable. The order of the Court sanctioning any Plan shall not discharge or otherwise affect in any way any of the obligations of the Borrower and the Guarantor to the Interim Lender under the Interim Facility, other than after the permanent and indefeasible payment in cash to the Interim Lender of all obligations under the Interim Facility on or before the date the Plan is implemented.

**15. CASH FLOW FORECAST AND
REVISED CASH FLOW FORECAST:**

The Borrower shall prepare and provide, in form and substance satisfactory to the Interim Lender in its sole and absolute discretion, a weekly line item cash flow forecast (receipts and disbursements forecast), and supported by aged listings of accounts payable, inclusive of critical payments and statutory obligations, covering the period of at least 13 calendar weeks following the Closing Date (together with all updates thereto approved by the Interim Lender in its sole and absolute discretion, the "**Cash Flow Forecast**"). The Cash Flow Forecast shall set forth expected receipts and all of the operating and capital expenditure to be made during each calendar week and in the aggregate for the period of time covered by the Cash Flow Forecast.

Commencing on the Tuesday of the calendar week following **January 16, 2020 and continuing every second Tuesday thereafter**, the Borrower shall by 5:00 p.m. (Calgary time) deliver to the Interim Lender: (a) a report and variance analysis showing actual cash receipts and actual expenditures for each line item in the Cash Flow Forecast covering the previous two weeks (including cumulative weeks since the Filing Date) and comparing the foregoing amounts with the previously forecasted cash receipts and expenditures, respectively, set forth in the Cash Flow Forecast for such line item during such two week period (as well as the cumulative period to date); and (b) an update and extension to the Cash Flow Forecast (the "**Revised**

Cash Flow Forecast") for the period commencing from the end of the previous two weeks through and including thirteen (13) weeks thereafter, which shall reflect the Borrower's good faith projections and be in form and detail consistent with the initial Cash Flow Forecast and subject to the approval of the Interim Lender. The Borrower shall, and shall use commercially reasonable efforts, if requested by the Interim Lender, to cause its non-legal advisors to, participate on bi-weekly conference calls with the Interim Lender, and its respective advisors, to discuss the Revised Cash Flow Forecast, the Borrower's current and projected operational performance and any related financial matters.

The Borrower shall ensure that when measured as of each Variance Testing Date, the following cash flow test (the "**Cash Flow Test**") for each of the components of the Cash Flow Forecast or Revised Cash Flow Forecast as the case may be, is met:

1. Except as otherwise agreed by the Interim Lender, the Borrower's total expenditures (excluding any legal or advisory fees incurred on behalf of the Interim Lender paid before **January 8, 2020**) for the prior two week period shall not have exceeded 110% of the amount of total expenditures for such prior two week period as set forth in the most recent Cash Flow Forecast or Revised Cash Flow Forecast.
2. Except as otherwise agreed by the Interim Lender, the Borrower's net cash receipts for the prior two week period shall not be less than 90% of the amount of forecasted cash receipts for such prior two week period as set forth in the Cash Flow Forecast or Revised Cash Flow Forecast.
3. The Borrower shall provide detailed bridges (quantitative explanations of the forecast-to-actual variances) for each line-item of the Cash Flow Forecast or Revised Cash Flow Forecast as well as for any other line item variances outside of the management's direct control including, without limitation foreign exchange gains or losses, that impact the overall consolidated cash flow results (the "**Cash Flow Variance Report**").

Notwithstanding any other provision in this Section 15, the Borrower shall be permitted to incur

extraordinary expenses not otherwise permitted under the Cash Flow Test only with the prior written consent of the Interim Lender.

16. AVAILABILITY UNDER INTERIM FACILITY:

Provided that a Default or an Event of Default has not occurred, each Interim Advance shall be made by the Interim Lender to the Borrower within two (2) Business Days after satisfaction, as determined by the Interim Lender in its discretion, acting reasonably, of all of the applicable Funding Conditions set out in this Interim Financing Term Sheet. The Borrower acknowledges that the Monitor shall confirm and approve all of the Borrower's disbursements and expenditures.

Interim Advances shall be available to the Borrower in Canadian Dollars. Each Interim Advance shall be in a minimum aggregate amount that is no less than Cdn.\$100,000 and in excess thereof in integral multiples of Cdn.\$50,000, unless otherwise agreed to by the Interim Lender.

All proceeds of Interim Advances shall be deposited into the Deposit Account. The Deposit Account shall be subject to a priority Lien in favour of the Interim Lender, subordinate only to the Permitted Priority Liens.

17. USE OF PROCEEDS:

The proceeds of the Interim Facility shall only be used: (a) to finance operating expenses, restructuring costs (including professional fees, fees of the legal counsel to the Credit Parties, the Monitor and the Monitor's legal counsel), and for general corporate purposes of the Borrower and Credit Parties, all in accordance with the Cash Flow Forecast (or Revised Cash Flow Forecast), subject to the expenditure variances referenced in Section 24(c) below; (b) to pay fees and expenses related to the Interim Facility and the CCAA Proceedings; and (c) to repay to Bank of Montreal all advances made pursuant to the "Temporary Bulge" as defined in the amended and restated loan agreement between Bank of Montreal and the Credit Parties dated June 28, 2019, as further amended by the amending agreement dated December 23, 2019, provided that no proceeds from the Interim Facility or the Collateral shall be used other than in accordance with this Interim Financing Term Sheet unless otherwise agreed in writing by the Interim Lender.

- 18. EVIDENCE OF INDEBTEDNESS:** The Interim Lender's accounts and records constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Interim Lender pursuant to the Interim Facility.
- 19. PREPAYMENTS:** Provided the Monitor is satisfied that there are sufficient cash reserves in the Credit Parties' bank accounts to satisfy amounts secured by the Permitted Priority Liens, the Borrower may prepay any amounts outstanding or any portion of any amounts outstanding under the Interim Facility at any time prior to the Maturity Date, without any prepayment fee or penalty.
- 20. FEES, INTEREST RATE AND DEFAULT RATE:** The Interim Advances shall bear interest at a rate of 12%.
- The foregoing interest shall accrue daily and shall be payable monthly in arrears on each Interest Payment Date for each Interim Advance for the period from and including the date upon which the Interim Lender advances such Interim Advance to the Borrower to and including the day such Interim Advance is repaid or paid, as the case may be, to the Interim Lender, and shall be calculated on the principal amount of each Interim Advance outstanding during such period and on the basis of the actual number of days elapsed in a year of 365 days.
- The Borrower shall pay a non-refundable financing fee of 3% of the Interim Facility commitment amount being Cdn.\$5,700,000 upon execution of this Interim Financing Term Sheet.
- 21. CURRENCY:** Unless otherwise stated, all monetary denominations shall be in Canadian Dollars. Any payment under this Interim Financing Term Sheet which any Credit Party pays to the Interim Lender in a currency other than Canadian Dollars (the "**Other Currency**"), whether voluntarily or pursuant to an order or judgment of a court or tribunal of any jurisdiction, will only discharge the Credit Parties' liability under this Interim Financing Term Sheet to the extent of the Equivalent Amount in Canadian Dollars of the Other Currency so paid.
- 22. MANDATORY REPAYMENTS:** (a) As determined by the Monitor, surplus cash receipts or cash balances not required to fund disbursements and expenditures in the

Cash Flow Forecast or Revised Cash Flow Forecast.

- (b) Net proceeds from the sale or disposition of any capital assets or non-ordinary course inventory (i.e., redundant or obsolete inventory), which is approved by the Interim Lender.

23. REPRESENTATIONS AND WARRANTIES:

Each of the Credit Parties represents and warrants to the Interim Lender, upon which the Interim Lender is relying in entering into this Interim Financing Term Sheet and the other Interim Financing Credit Documentation, as follows:

- (a) The transactions contemplated by this Interim Financing Term Sheet and the other Interim Financing Credit Documentation:
 - (i) are within the powers of each of the Credit Parties;
 - (ii) have been duly authorized by all necessary corporate, partnership or trust, as the case may be, and, if required, shareholder, partner, trustee or administrator, as the case may be, approval of each of the Credit Parties;
 - (iii) have been duly executed and delivered by or on behalf of each of the Credit Parties;
 - (iv) constitute legal, valid and binding obligations of each of the Credit Parties; and
 - (v) do not require the consent or approval of, registration or filing with, or any other action by, any Governmental Authority, other than filings which may be made to register or otherwise record the Interim Lender Charge.
- (b) The activities of the Credit Parties have been conducted in material compliance with all applicable provincial, state and federal laws, subject to the provisions of the CCAA and any Restructuring Court Order, unless: (i)

otherwise ordered by the Court; or (ii) the sanctions for non-compliance are stayed by a Restructuring Court Order.

- (c) Each of the Credit Parties has maintained its obligations for payroll, source deductions, goods and services tax and harmonized sales tax, as applicable, and is not in arrears in respect of payment of these obligations.
- (d) The Cash Flow Forecast and each Revised Cash Flow Forecast are reasonable and prepared in good faith.
- (e) All representations and warranties made by each of the Credit Parties in all Interim Financing Credit Documentation are true and correct in all material respects as of the time such representations and warranties are made.
- (f) No Default or Event of Default has occurred and is continuing.
- (g) This Interim Financing Term Sheet, including Section 32 hereof and the constituent definitions herein and under the other Interim Financing Credit Documentation relating to interest and other amounts payable hereunder and thereunder, satisfies the requirements of section 4 of the *Interest Act* (Canada) to the extent that section 4 of the *Interest Act* (Canada) applies to the expression, statement or calculation of any rate of interest or other rate per annum hereunder or under any other Interim Financing Credit Documentation.
- (h) The Borrower and the Guarantor are each able to calculate the yearly rate or percentage of interest payable under any Interim Financing Credit Documentation based on the methodology set out herein and under the other Documents, including Section 32 hereof hereof and the constituent definitions herein and under the other Interim Financing Credit Documentation relating to interest and other amounts payable hereunder and thereunder.

24. AFFIRMATIVE COVENANTS:

In addition to all of the other covenants and obligations contained herein, the Credit Parties covenant and agree to perform and do each of the following until the Interim Financing Obligations are permanently and indefeasibly repaid in full and the Interim Facility is terminated:

- (a) Apply for an Order from the Court, on or before January 16, 2020, in a form satisfactory to the Interim Lender in its absolute discretion, approving a sales and investment solicitation process (“**SISP**”) respecting the business and assets of the Credit Parties for the purpose of achieving a Restructuring Option.
- (b) Allow the Interim Lender or its agents and advisors, on reasonable notice during regular business hours, to enter on and inspect each of the Credit Parties' assets and properties, and provide the Interim Lender or its agents or advisors, on reasonable notice and during normal business hours, full access to the books and records of the Credit Parties' and cause management thereof to fully co-operate with the Interim Lender or its agents and advisors, as applicable.
- (c) Use reasonable efforts to keep the Interim Lender apprised on a timely basis of all material developments with respect to the business and affairs of the Credit Parties, including (without limitation) the development of a Plan or a Restructuring Option.
- (d) Deliver to the Interim Lender periodic reporting packages and other information requested by the Interim Lender from time to time, including: (i) annual and monthly unaudited financial statements for the Credit Parties, each together with officer compliance certificates and management reports, on a look-forward basis; (ii) Cash Flow Variance Reports as set forth above; provided that in the case of the Cash Flow Variance Report delivered on each Variance Testing Date, the Credit Parties' total expenditures for the prior rolling two week period shall not have exceeded 110% of the amount of total expenditures for such two

week period as set forth in the Cash Flow Forecast (or Revised Cash Flow Forecast); (iii) a reasonable period of time prior to filing with the Court, copies of all pleadings, motions, applications, judicial or financial information and other documents filed by or on behalf of any Credit Party with the Court; and (iv) notice of material events, including, without limitation, defaults, new litigation or changes in status of ongoing litigation, regulatory and other filings and any other event that could reasonably be expected to result in a Material Adverse Change. Without limiting the foregoing, the Credit Parties shall deliver to the Interim Lender copies of any financial reporting provided to the Monitor in a timely manner and forthwith provide to the Interim Lender any reports or commentary received from the Monitor regarding the financial position of the Credit Parties.

- (e) Use the proceeds of the Interim Facility only for the purposes described in Section 17, and in a manner consistent with the restrictions set out herein.
- (f) Comply with the provisions of the court orders made in the CCAA Proceedings applicable to the Credit Parties (collectively, the "**Restructuring Court Orders**" and each a "**Restructuring Court Order**"); provided that if any such Restructuring Court Order contravenes this Interim Financing Term Sheet or any of the Interim Financing Credit Documentation so as to adversely impact the rights or interests of the Interim Lender, the same shall be an Event of Default hereunder.
- (g) Preserve, renew and keep in full force its respective corporate, partnership or trust existence and its respective material licenses, permits, approvals, and other authorizations required in respect of its business, properties, assets or any activities or operations carried out therein, unless otherwise agreed by the Interim Lender.

- (h) Conduct all activities in a manner consistent with the Cash Flow Forecast or Revised Cash Flow Forecast.
- (i) Forthwith notify the Interim Lender of the occurrence of any Default or Event of Default, including an Updated Cash Flow Default.
- (j) Provide the Interim Lender with draft copies of all motions, applications, proposed orders or other material or documents that any of them intend to file in the CCAA Proceedings as soon as practically possible prior to any such filing.
- (k) Provide to the Interim Lender, on a monthly basis, reporting with respect to the Credit Parties' outstanding amounts, if any, of statutory obligations that would otherwise rank in priority to the secured creditors, including, but not limited, to payroll withholdings, GST/HST or other sales taxes and relevant pension obligations. For further clarity, the Credit Parties agree to remain current on all statutory obligations that would rank in priority to the secured creditors.
- (l) Provide to the Interim Lender regular updates regarding the status of the CCAA Proceedings including, without limitation, reports on the progress of any Plan or Restructuring Option, and any information which may otherwise be confidential subject to same being maintained as confidential by the Interim Lender.

25. NEGATIVE COVENANTS:

The Credit Parties covenant and agree not to do the following, other than with the prior written consent of the Interim Lender:

- (a) Transfer, lease or otherwise dispose of all or any part of its property, assets or undertaking over Cdn.\$25,000 at any one time, or through a series of related transactions over Cdn.\$100,000 in the aggregate after the date hereof (excluding dispositions of obsolete assets, which have been approved by the Interim Lender, and the disposition of inventory in the ordinary course of business), without the prior written

consent of the Interim Lender or the Court.

- (b) Make any payment of principal or interest in respect of existing (pre-filing) debt or obligation, other than as may be permitted by a Restructuring Court Order and that does not result in an Event of Default, and is provided for in the Cash Flow Forecast.
- (c) Create or permit to exist indebtedness (including guarantees thereof or indemnities or other financial assistance in respect thereof) other than existing (pre-filing) debt, debt contemplated by this Interim Financing Term Sheet and post-filing trade payables.
- (d) Make any payments not consistent with the Cash Flow Forecast.
- (e) Make or give any additional financial assurances, in the form of bonds, letters of credit, guarantees or otherwise, to any person (including, without limitation, any Governmental Authority).
- (f) Create, permit to exist or seek or support a motion by another party to provide to any third party a Lien on the Collateral which is senior to or *pari passu* with the Interim Lender Charge, other than the Permitted Priority Liens.
- (g) Change its name, amalgamate, consolidate with or merge into, or enter into any similar transaction with any other entity.
- (h) Make any payment in respect of post-employment benefit payments.

26. INDEMNITY AND RELEASE:

The Credit Parties agree, on a joint and several basis, to indemnify and hold harmless the Interim Lender and its directors, officers, employees, agents, attorneys, advisors and affiliates (all such persons and entities being referred to hereafter as "**Indemnified Persons**") from and against any and all actions, suits, proceedings (including any investigations or inquiries), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever (excluding indirect or consequential damages and claims for lost profits) which may be incurred by or asserted against or

involve any Indemnified Person (collectively, "**Claims**") as a result of or arising out of or in any way related to or resulting from the Interim Facility, this Interim Financing Term Sheet or any other Interim Financing Credit Documentation (regardless of whether such Claim is made in the CCAA Proceedings or any other proceeding, including a bankruptcy or insolvency proceeding) and, upon demand, to pay and reimburse any Indemnified Person for any legal or other out-of-pocket expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding (including, without limitation, any inquiry or investigation) or claim (whether or not any Indemnified Person is a party to any action or proceeding out of which any such expenses arise); provided, however, the Credit Parties shall not be obligated to indemnify pursuant to this paragraph any Indemnified Person against any loss, claim, damage, expense or liability: (a) to the extent it resulted from the gross negligence or wilful misconduct of such Indemnified Person as finally determined by a court of competent jurisdiction; or (b) to the extent arising from any dispute solely among Indemnified Persons other than any claims arising out of any act or omission on the part of a Credit Party. The Credit Parties shall not be responsible or liable to any Indemnified Person or any other person for consequential or punitive damages. Each of the Indemnified Persons undertakes to repay any and all costs paid to such Indemnified Person in accordance with this Section 26 if it is ultimately determined that such Indemnified Person is not entitled to be indemnified therefor.

The indemnities granted under this Interim Financing Term Sheet shall survive any termination of the Interim Facility.

27. EVENTS OF DEFAULT:

The occurrence of any one or more of the following events without the Interim Lender's written consent shall constitute an event of default ("**Event of Default**") under this Interim Financing Term Sheet:

- (a) the issuance of an order of the Court (including any Restructuring Court Order) or any other court of competent jurisdiction:
 - (i) dismissing the CCAA Proceedings or lifting the stay in the CCAA

Proceedings to permit (A) the enforcement of any Lien against a Credit Party, or a material portion of their respective property, assets or undertaking, or (B) the appointment of a receiver and manager, receiver, interim receiver or similar official or the making of a bankruptcy order against a Credit Party;

- (ii) granting any Lien which is senior to or *pari passu* with the Interim Lender Charge, other than the Priority Charges;
 - (iii) staying, reversing, vacating or otherwise modifying the Interim Financing Credit Documentation or any Restructuring Court Order in a manner adverse to the interests of the Interim Lender;
 - (iv) adversely impacting the rights and interests of the Interim Lender, as determined by the Interim Lender, acting reasonably, without the prior written consent of the Interim Lender; or
 - (v) directing any Credit Party to pay any post-employment benefits;
- (b) the filing of any pleading by any Credit Party seeking any of the matters set forth in clause (a) above or failure of the Credit Parties to diligently oppose any party that brings an application or motion for the relief set out in clause (a) above and/or fails to secure the dismissal of such motion or application within 5 days from the date such application or motion is brought;
- (c) failure of any of the Credit Parties to comply with any positive covenants or negative covenants in this Interim Financing Term Sheet;
- (d) any Revised Cash Flow Forecast contemplates or forecasts an adverse change or changes from the then existing Cash Flow Forecast (or Revised Cash Flow

Forecast) and such change(s) constitute a Material Adverse Change, or any Revised Cash Flow Forecast contemplates that borrowings under the Interim Facility will exceed the Maximum Amount at any time (unless and until the Interim Lender consent to increase the Maximum Amount, which shall be in the Interim Lender's sole and absolute discretion) (each, an "**Updated Cash Flow Default**");

- (e) if any event or circumstance shall occur or exist that is a Material Adverse Change, as determined by the Interim Lender, in its sole discretion;
- (f) borrowings under the Interim Facility exceed the Maximum Amount at any time without the prior written consent of the Interim Lender;
- (g) any violation or breach of any Restructuring Court Order upon receipt by a Credit Party of notice from the Interim Lender, and confirmation by the Court, of such violation or breach;
- (h) an event of default under and as defined in any of the other Interim Financing Credit Documentation has occurred;
- (i) any proceeding, motion or application is commenced or filed by any of the Credit Parties, or if commenced by another party, supported or otherwise consented to by any Credit Party, seeking the invalidation, subordination or other challenging of the terms of the Interim Facility, the Interim Lender Charge, this Interim Financing Term Sheet, or any of the other Interim Financing Credit Documentation or, unless the Plan or Restructuring Option provides for repayment in full of the Interim Facility, the approval of any Plan or Restructuring Option which does not have the prior written consent of the Interim Lender;
- (j) any Plan is sanctioned or any Restructuring Option is consummated by any of the Credit Parties that is not consistent with or contravenes any provision of this Interim

Financing Term Sheet or other Interim Financing Credit Documentation in a manner that is adverse to the interests of the Interim Lender, as determined by the Interim Lender, or would reasonably be expected to adversely affect the interests of the Interim Lender, as determined by the Interim Lender, unless the Interim Lender has consented thereto;

- (k) except as set out in the Cash Flow Forecast (or Revised Cash Flow Forecast), or as otherwise previously agreed to in writing by the Interim Lender, any Credit Party is required by any Governmental Authority to make expenditures or pay damages, fines, claims, costs or expenses to remediate, in respect of any Environmental Liabilities, and such requirement is not stayed by a Restructuring Court Order;
- (l) if any Credit Party pays or agrees to pay any of the legal, consulting or other professional fees and/or disbursements not otherwise listed on the Cash Flow Forecast or Revised Cash Flow Forecast without the prior written consent of the Interim Lender;
- (m) failure of the Borrower to pay any principal amount owing under this Interim Financing Term Sheet when due;
- (n) failure of the Borrower to pay any interest or fees or any portion thereof owing under this Interim Financing Term Sheet or any other Interim Financing Credit Documentation when due and such default shall remain unremedied for a period of two (2) Business Days after written notice from the Interim Lender to the Borrower that such amount is overdue;
- (o) failure of any Credit Party to perform or comply with any other term or covenant under this Interim Financing Term Sheet, or any other Interim Financing Credit Documentation, and such default shall continue unremedied for a period of three (3) Business Days; or

- (p) if any Credit Party commences an action or takes any other proceeding to obtain any form of relief against the Interim Lender or any affiliate thereof, including, without limitation, a proceeding to recover damages or to obtain payment of any amounts purported to be owing by the Interim Lender or any affiliate thereof to any Credit Party or any affiliate thereof if the Interim Lender or such affiliate disputes any of the same.

28. REMEDIES:

Upon the occurrence of an Event of Default, and subject to the Restructuring Court Orders, the Interim Lender may, in its sole and absolute discretion, elect to terminate the Interim Lender's commitment to make Interim Advances to the Borrower hereunder and declare the obligations in respect of the Interim Financing Credit Documentation to be immediately due and payable and cease making any further Interim Advances. Without limiting the foregoing remedies, upon the occurrence of an Event of Default, the Interim Lender may, in its sole and absolute discretion, elect to permanently reduce the Maximum Amount. In addition, upon the occurrence of an Event of Default, the Interim Lender may, in its sole and absolute discretion, subject to any Restructuring Court Order:

- (a) apply to a court for the appointment of a receiver, an interim receiver or a receiver and manager over the Collateral, or for the appointment of a trustee in bankruptcy of the Credit Parties;
- (b) set-off or combine any amounts then owing by the Interim Lender to any of the Credit Parties against the obligations of any of the Credit Parties to the Interim Lender hereunder or under any other Interim Financing Credit Documentation;
- (c) apply to the Court for an order or orders, on terms satisfactory to the Monitor and the Interim Lender, providing the Monitor with the power, in the name of and on behalf of the Credit Parties, to take all necessary steps in the CCAA Proceedings;
- (d) subject to obtaining prior approval from the Court, exercise the powers and rights of a

secured party under the *Personal Property Security Act* (Saskatchewan) or any legislation of similar effect; and

- (e) subject to obtaining prior approval from the Court, exercise all such other rights and remedies under the Interim Financing Credit Documentation, the Restructuring Court Orders and applicable law.

29. INTERIM LENDER'S APPROVALS:

Any consent, approval, instruction or other expression of the Interim Lender to be delivered in writing may be delivered by any written instrument, including by way of electronic mail, by the Interim Lender, or its counsel, pursuant to the terms hereof.

30. TERMINATION BY THE CREDIT PARTIES:

At any time following the indefeasible payment in full in immediately available funds of all of the outstanding Interim Financing Obligations, the Credit Parties shall be entitled to terminate this Interim Financing Term Sheet upon notice to the Interim Lender. Effective immediately upon such termination, all obligations of the Credit Parties and the Interim Lender under this Interim Financing Term Sheet and the other Interim Financing Credit Documentation shall cease, except for those obligations in Section 26 that explicitly survive termination.

31. TAXES:

All payments by the Credit Parties under this Interim Financing Term Sheet and the other Interim Financing Credit Documentation to the Interim Lender, including any payments required to be made from and after the exercise of any remedies available to the Interim Lender upon an Event of Default, shall be made free and clear of, and without reduction for or on account of, any present or future taxes, levies, imposts, duties, charges, fees, deductions or withholdings of any kind or nature whatsoever or any interest or penalties payable with respect thereto now or in the future imposed, levied, collected, withheld or assessed by any country or any political subdivision of any country (collectively "**Taxes**"); provided, however, that if any Taxes are required by applicable law to be withheld ("**Withholding Taxes**") from any amount payable to the Interim Lender under any Interim Financing Credit Documentation, the amount so payable to the Interim Lender shall be increased to the extent necessary to yield to the

Interim Lender on a net basis after payment of all Withholding Taxes (including any Withholding Taxes on such increases), the amount payable under such Interim Financing Credit Documentation at the rate or in the amount specified in such Interim Financing Credit Documentation and the applicable Credit Party, as the case may be, shall provide evidence satisfactory to the Interim Lender that the Taxes have been so withheld and remitted.

32. INTEREST ACT (CANADA):

Whenever a rate of interest or other rate per annum hereunder is calculated on the basis of a year (the "**deemed year**") which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.

THE BORROWER AND THE GUARANTOR ACKNOWLEDGES AND CONFIRMS THAT: (A) THIS INTERIM FINANCING TERM SHEET, INCLUDING THIS SECTION 32 AND THE CONSTITUENT DEFINITIONS HEREIN AND UNDER THE OTHER INTERIM FINANCING CREDIT DOCUMENTATION RELATING TO INTEREST AND OTHER AMOUNTS PAYABLE HEREUNDER AND THEREUNDER, SATISFIES THE REQUIREMENTS OF SECTION 4 OF THE INTEREST ACT (CANADA) TO THE EXTENT THAT SECTION 4 OF THE INTEREST ACT (CANADA) APPLIES TO THE EXPRESSION, STATEMENT OR CALCULATION OF ANY RATE OF INTEREST OR OTHER RATE PER ANNUM HEREUNDER OR UNDER ANY OTHER INTERIM FINANCING CREDIT DOCUMENTATION; AND (B) THE BORROWER AND THE GUARANTOR ARE ABLE TO CALCULATE THE YEARLY RATE OR PERCENTAGE OF INTEREST PAYABLE UNDER ANY INTERIM FINANCING CREDIT DOCUMENTATION BASED ON THE METHODOLOGY SET OUT HEREIN AND UNDER THE OTHER DOCUMENTS, INCLUDING THIS SECTION 32 AND THE CONSTITUENT DEFINITIONS HEREIN AND UNDER THE OTHER INTERIM FINANCING CREDIT DOCUMENTATION RELATING TO INTEREST AND OTHER AMOUNTS PAYABLE HEREUNDER AND THEREUNDER. THE

BORROWER AND THE GUARANTOR HEREBY IRREVOCABLY AGREES NOT TO, AND AGREES TO CAUSE EACH OF ITS SUBSIDIARIES NOT TO, PLEAD OR ASSERT, WHETHER BY WAY OF DEFENCE OR OTHERWISE, IN ANY PROCEEDING RELATING TO THE INTERIM FINANCING CREDIT DOCUMENTATION, THAT THE INTEREST PAYABLE UNDER THE INTERIM FINANCING CREDIT DOCUMENTATION AND THE CALCULATION THEREOF HAS NOT BEEN ADEQUATELY DISCLOSED TO THE BORROWER, ANY SUBSIDIARY OR THE NOMINEE SHAREHOLDER, WHETHER PURSUANT TO SECTION 4 OF THE *INTEREST ACT (CANADA)* OR ANY OTHER APPLICABLE LAW OR LEGAL PRINCIPLE.

33. FURTHER ASSURANCES:

The Credit Parties shall, at their expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) and things as the Interim Lender may reasonably request for the purpose of giving effect to this Interim Financing Term Sheet.

34. ENTIRE AGREEMENT; CONFLICT:

This Interim Financing Term Sheet, including the schedules hereto and the Interim Financing Credit Documentation, constitute the entire agreement between the parties relating to the subject matter hereof. To the extent that there is any inconsistency between this Interim Financing Term Sheet and any of the other Interim Financing Credit Documentation, this Interim Financing Term Sheet shall govern.

35. AMENDMENTS, WAIVERS, ETC.:

No waiver or delay on the part of the Interim Lender in exercising any right or privilege hereunder or under any other Interim Financing Credit Documentation will operate as a waiver hereof or thereof unless made in writing by the Interim Lender and delivered in accordance with the terms of this Interim Financing Term Sheet, and then such waiver shall be effective only in the specific instance and for the specific purpose given.

36. ASSIGNMENT:

The Interim Lender may assign this Interim Financing Term Sheet and its rights and obligations hereunder, in whole or in part, or grant a participation in its rights and obligations hereunder,

(i) at any time to an affiliate of the Interim Lender; (ii) prior to the occurrence of an Event of Default, subject to the consent of the Borrower, not to be unreasonably withheld; and (iii) following the occurrence of an Event of Default, to any person acceptable to the Interim Lender in its sole and absolute discretion (subject in all cases to providing the Monitor with reasonable evidence that such assignee has the financial capacity to fulfill the obligations of the Interim Lender hereunder). None of this Interim Financing Term Sheet, any other Interim Financing Creditor Documentation nor any right or obligation hereunder or thereunder may be assigned by any Credit Party.

37. SEVERABILITY:

Any provision in this Interim Financing Term Sheet or any other Interim Financing Credit Documentation which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

38. NO THIRD PARTY BENEFICIARY:

No person, other than the Credit Parties and the Interim Lender, is entitled to rely upon this Interim Financing Term Sheet and the parties expressly agree that this Interim Financing Term Sheet does not confer rights upon any party not a signatory hereto.

39. COUNTERPARTS AND FACSIMILE SIGNATURES:

This Interim Financing Term Sheet may be executed in any number of counterparts and by facsimile or other electronic transmission, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument.

40. NOTICES:

Any notice, request or other communication hereunder to any of the parties shall be in writing and may be made or given by personal delivery or by transmittal by facsimile or, subject as provided below, other electronic means of communication addressed to the respective parties as follows:

In the case of the Credit Parties:

Mr. Kevin Adair
Morris

President and COO
2131 Airport Drive
Saskatoon, Saskatchewan, S7L 7E1
306-343-5276
kadair@morris-industries.com

With a copy to:

Mr. Ian Sutherland
McDougall Gauley LLP
Partner
500 - 616 Main Street
Saskatoon, Saskatchewan, S7H 0J6
306-665-5417
isutherland@mcdougallgauley.com

In the case of the Interim Lender:

Mr. Sandy Hayer
Bank of Montreal
Senior Manager
Special Accounts Management Unit
600, 350 – 7 Ave SW
Calgary, Alberta T2P 3N9
403-503-7499
Sandy.hayer@bmo.com

With a copy to:

Mr. David LeGeyt
Burnet, Duckworth & Palmer LLP
Partner
2400, 525 – 8th Avenue SW
Calgary, Alberta T2P 1G1
403-260-0210
dlegeyt@bdplaw.com

In the case of the Proposed Monitor:

Mr. Orest M.P. Konowalchuk
Alvarez & Marsal Canada Inc.
Senior Vice President
1110, 250 – 6 Ave SW
Calgary, Alberta T2P 3H7
403-538-4736
okonowalchuk@alvarezandmarsal.com

or to such other address or facsimile number as any party may from time to time notify the others in accordance with this Section 40. Any notice,

request or other communication made or given by personal delivery or by facsimile or other electronic means of communication during normal business hours at the place of receipt on a Business Day shall be conclusively deemed to have been made or given at the time of actual delivery or transmittal, as the case may be, on such Business Day. Any demand, notice or communication made or given by personal delivery or by facsimile or other electronic means of communication after normal business hours at the place of receipt or otherwise than on a Business Day shall be conclusively deemed to have been made or given at 9:00 a.m. (Calgary time) on the first Business Day following actual delivery or transmittal, as the case may be.

Any notice, request or other communication hereunder to be made or given hereunder may be delivered or furnished by electronic communication (including email) pursuant to procedures approved by each such party accepting email communication. Unless a party otherwise prescribes, notices, requests and other communications sent to an email address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return email or other written acknowledgement), provided that, if such notice, request or other communication is not sent within normal business hours of the recipient, such demand, notice or other communication shall be deemed to have been sent at the opening of business on the next Business Day.

41. GOVERNING LAW AND JURISDICTION:

This Interim Financing Term Sheet shall be governed by, and construed in accordance with, the laws of the Province of Saskatchewan and the federal laws of Canada applicable therein. Without prejudice to the ability of the Interim Lender to enforce this Interim Financing Term Sheet in any other proper jurisdiction, the Credit Parties irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Saskatchewan, and further acknowledge and agree that any disputes arising in respect of the Interim Financing Credit Documentation shall be heard by the Court.

[signature pages follow on separate pages]

IN WITNESS HEREOF, the parties hereby execute this Interim Financing Term Sheet as at the date first above mentioned.

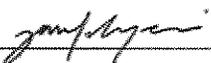
Interim Lender:

Bank of Montreal

Per:


Name: SANDY HAYER
Senior Manager
Title: SAMU National Accounts

Per:


Name: SAMUEL ADEYEMI
Title: Account Manager, SAMU

Borrower:

Morris Industries Ltd.

Per: 
Name: Kevin Adair
Title: President and COO

Per: _____
Name:
Title:

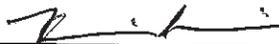
Morris Sales and Service Ltd.

Per: 
Name: Kevin Adair
Title: President and COO

Per: _____
Name:
Title:

Guarantor:

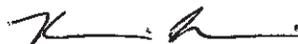
101098672 Saskatchewan Ltd.

Per: 
Name: Kevin Adair
Title: President and COO

Per: _____
Name:
Title:

Guarantor:

Contour Realty Inc.

Per: 
Name: Kevin Adair
Title: President and COO

Per: _____
Name:
Title:

Guarantor:

Morris Industries (USA) Inc.

Per: 
Name: Kevin Adair
Title: President and COO

Per: _____
Name:
Title:

SCHEDULE "A"

DEFINED TERMS

"**Administration Charge**" means the administration charge on the Collateral in an aggregate amount not to exceed Cdn.\$175,000.

"**Borrower**" has the meaning given thereto in Section 1.

"**Business Day**" means a day, excluding Saturday and Sunday, on which banking institutions are open for the transaction of commercial business in Calgary, Alberta.

"**Canadian Dollars**" and "Cdn.\$" mean the lawful money of Canada.

"**Cash Flow Forecast**" has the meaning given thereto in Section 15.

"**CCAA**" has the meaning given thereto in the Recitals.

"**CCAA Proceedings**" has the meaning given thereto in the Recitals.

"**CCAA Sale**" means the sale of all or substantially all of the assets of the Borrower pursuant to a sale approved by the Court.

"**Collateral**" means all present and future assets and property of the Credit Parties, real and personal, tangible or intangible, and whether now owned or which are hereafter acquired or otherwise become the property of a Credit Party.

"**Court**" has the meaning given thereto in the Recitals.

"**Credit Parties**" has the meaning given thereto in Section 3.

"**Default**" means any event or condition which, with the giving of notice, lapse of time or upon a declaration or determination being made (or any combination thereof), would constitute an Event of Default.

"**Deposit Account**" means the following accounts maintained by the Borrower [**NTD: Borrower to provide account details.**] to which payments and transfers under this Interim Financing Term Sheet are to be effected:

Payment Format: [·]
For Bank Use ONLY: [·]

Beneficiary Bank: **Bank of Montreal**
Beneficiary Bank Address: **134 Primrose Drive, Saskatoon SK S7K 5S6**
Institution Code: **001**
Transit No.: **26918**
Beneficiary Account No.: **1016682**

or such other account or accounts as the Interim Lender may from time to time designate by notice to the Borrower.

"Directors' Charge" means a directors and officers liability charge on the Collateral in an amount not to exceed Cdn.\$175,000.

"Drawdown Certificate" has the meaning given thereto in Section 9.4.

"Environmental Liabilities" means all liabilities, obligations, responses, remedial and removal costs, investigation and feasibility study costs, capital costs, operation and maintenance costs and other costs and expenses, including fines, penalties, sanctions and interest incurred as a result of or related to any claim, investigation, proceeding or demand of any Governmental Authority against any of the Credit Parties including, without limitation, arising under or related to any law relating to the environment or in connection with any substance which is or is deemed under any applicable law to be, alone or in combination, hazardous, hazardous waste, toxic, a pollutant, a contaminant or source of pollution or contamination whether on, at, in, under, from or about or in the vicinity of any real or personal property owned by any of the Credit Parties.

"Equivalent Amount" means, on any date, with respect to an amount in one currency, the amount in another currency that could be purchased by the amount in the first currency determined by reference to the noon rate of exchange for Canadian interbank transactions established by the Bank of Canada for converting the first currency to the other currency at approximately the close of business on the immediately preceding Business Day, or, if such rate is for any reason unavailable, on the first Business Day immediately preceding such immediately preceding Business Day.

"Event of Default" has the meaning given thereto in Section 27.

"Filing Date" means **January 8, 2020**.

"Funding Conditions" has the meaning given thereto in Section 9.

"Governmental Authority" means any federal, provincial, state, regional, municipal or local government or any department, agency, board, tribunal or authority thereof or other political subdivision thereof and any entity or person exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government or the operation thereof.

"Guarantor" has the meaning given thereto in Section 3.

"Indemnified Persons" has the meaning given thereto in Section 26.

"Initial Order" means the initial order of the Court dated **January 8, 2020**, 2019 pursuant to which the Borrower became subject to the CCAA Proceedings.

"Interest Payment Date" means the third day of each month; provided that, in any case, on the Maturity Date or, if applicable, any earlier date on which the Interim Facility is fully cancelled or permanently reduced in full, shall be an Interest Payment Date with respect to all Interim Advances then outstanding under the Interim Facility.

"Interim Advance" and **"Interim Advances"** have the meanings given thereto in Section 7.

"Interim Facility" has the meaning given thereto in Section 7.

"Interim Financing Credit Documentation" means this Interim Financing Term Sheet, all guarantees provided by the Guarantor, and any other documentation in respect of the Interim Facility or the Interim Lender Charge that is requested by the Interim Lender (which shall be in form and substance satisfactory to the Interim Lender, acting reasonably).

"Interim Financing Fees and Expenses" has the meaning given thereto in Section 10.

"Interim Financing Obligations" has the meaning given thereto in Section 9.

"Interim Lender" has the meaning given thereto in Section 2.

"Interim Lender Charge" has the meaning given thereto in Section 9.

"Liens" means all mortgages, charges, pledges, hypothecs, assignments by way of security, conditional sales or other title retention arrangements, security created under the *Bank Act* (Canada), liens, encumbrances, security interests or other interests in property, howsoever created or arising, whether fixed or floating, perfected or not, which secure payment or performance of an obligation and, including, in any event:

- (a) deposits or transfers of cash, marketable securities or other financial assets under any agreement or arrangement whereby such cash, securities or assets may be withdrawn, returned or transferred only upon fulfilment of any condition as to the discharge of any other indebtedness or other obligation to any creditor;
- (b) (i) rights of set-off or (ii) any other right of or arrangement of any kind with any creditor, which in any case are made, created or entered into, as the case may be, for the purpose of or having the effect (directly or indirectly) of (A) securing indebtedness, (B) preferring some holders of indebtedness over other holders of indebtedness or (C) having the claims of any creditor be satisfied prior to the claims of other creditors with or from the proceeds of any properties, assets or revenues of any kind now owned or later acquired (other than, with respect to (C) only, rights of set-off granted or arising in the ordinary course of business); and
- (d) absolute assignments of accounts receivable,

in each of the foregoing cases, granted by the Credit Parties or against the Collateral.

"Material Adverse Change" means any event, circumstance, occurrence or change which results, or which would reasonably be expected to result, in a material adverse change in:

- (a) the ability of any Credit Party to perform any material obligation under this Interim Financing Term Sheet, any other Interim Financing Credit Documentation or any Restructuring Court Order, or the ability of any Credit Party to carry out a Plan or Restructuring Option;
- (b) the validity or enforceability of any of the Interim Lender Charge or the ranking of any of the Liens granted thereby or the material rights or remedies intended or purported to be granted to the Interim Lender under or pursuant to such Interim Lender Charge; or
- (c) the business, operations, assets, condition (financial or otherwise) or results of operations of the Credit Parties, on a consolidated basis.

"**Maturity Date**" has the meaning given thereto in Section 14.

"**Maximum Amount**" has the meaning attributed thereto in Section 7.

"**Monitor**" has the meaning given thereto in Section 13.

"**Permitted Liens**" means: (a) the Priority Charges; (b) the Interim Lender Charge; (c) any charges created under the Initial Order or other order of the Court in the CCAA Proceedings subsequent in priority to the Interim Lender Charge, the limit and priority of each of which shall be acceptable to the Interim Lender in its discretion; (d) validly perfected Liens existing prior to the date hereof; (e) inchoate statutory Liens arising after the Filing Date in respect of any accounts payable arising after the Filing Date in the ordinary course of business, subject to the obligation to pay all such amounts as and when due; and (f) the Permitted Priority Liens.

"**Permitted Priority Liens**" means: (a) the Administration Charge; (b) statutory super-priority Liens for unpaid employee source deductions; and (c) such other Liens as may be agreed to in writing by the Interim Lender. For greater certainty, Liens arising from the construction, repair, maintenance and/or improvement of real or personal property, shall not be "**Permitted Priority Liens**".

"**Plan**" has the meaning given thereto in Section 14.

"**Priority Charges**" means the Administration Charge and the Directors' Charge.

"**Restructuring Court Order**" and "**Restructuring Court Orders**" have the meanings given thereto in Section 24(f).

"**Restructuring Option**" means any transaction involving the refinancing of a Credit Party, the sale of all or substantially all of the assets of any Credit Party or any other restructuring of the Credit Parties' businesses and operations, including any liquidation, bankruptcy or other insolvency proceeding in respect of any of Credit Party.

"**Revised Cash Flow Forecast**" has the meaning given thereto in Section 15.

"**Taxes**" has the meaning given thereto in Section 31.

"**Updated Cash Flow Default**" has the meaning given thereto in Section 28(d).

"**Variance Testing Date**" means, collectively, the second Tuesday occurring after January 8, 2020 and each Tuesday thereafter.

"**Withholding Taxes**" has the meaning given thereto in Section 31.

SCHEDULE "B"
FORM OF INITIAL ORDER
(See Attached.)

SCHEDULE "C"
FORM OF DRAWDOWN CERTIFICATE
DRAWDOWN CERTIFICATE

TO: **Bank of Montreal**, as Interim Lender (the "**Interim Lender**")

FROM: **Morris Industries Ltd.** (the "**Borrower**")

DATE: _____, 202__

1. This certificate is delivered to you, as Interim Lender, in connection with a request for an Interim Advance pursuant to the Interim Financing Term Sheet made as of January 15, 2020 between the Borrower, the Guarantor and the Interim Lender, as amended, supplemented, restated or replaced from time to time (the "**Interim Financing Term Sheet**"). All defined terms used, but not otherwise defined, in this certificate shall have the respective meanings set forth in the Interim Financing Term Sheet, unless the context requires otherwise.
2. The Borrower hereby requests an Interim Advance as follows:
 - (a) Date of Interim Advance: _____
 - (b) Aggregate amount of Interim Advance (Cdn.\$): _____
3. All of the representations and warranties of the Credit Parties as set forth in the Interim Financing Term Sheet and the other Interim Financing Credit Documentation are true and accurate as at the date hereof, as though made on and as of the date hereof.
4. All of the covenants of the Credit Parties contained in the Interim Financing Term Sheet, together with all of the Funding Conditions applicable to the Interim Advance hereby requested and contained in the Interim Financing Term Sheet, and all other terms and conditions contained in the Interim Financing Term Sheet to be complied with by the Credit Parties, have been fully complied with.
5. In addition to the foregoing, the Borrower and the Guarantor are in compliance with the Interim Financing Credit Documentation and the Restructuring Court Orders.
6. The Interim Advance hereby requested is within the Maximum Amount and consistent with the relevant Cash Flow Forecast or Revised Cash Flow Forecast as the case may be.

7. No Default or Event of Default has occurred nor will any such event occur as a result of the Interim Advance hereby requested.

Morris Industries Ltd.

Per: _____
Name:
Title: