

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

COURT COURT OF QUEEN'S BENCH FOR SASAKATCHEWAN

JUDICIAL CENTRE SASKATOON

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

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

DOCUMENT **FOURTEENTH REPORT OF THE MONITOR**

February 16, 2021

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

MONITOR

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INTRODUCTION

1. On January 8, 2020 (the “**Filing Date**”), upon the application of counsel for 101098672 Saskatchewan Ltd. (“**672**”), Morris Industries Ltd. (“**MIL**”), Morris Sales and Service Ltd. (“**MSS**”), Contour Realty Inc. (“**CRI**” or “**Contour**”) and Morris Industries (USA) Inc. (“**MUSA**”) (collectively, the “**Morris Group**”, the “**Applicants**”, the “**Company**” or the “**Companies**”), the Court of Queen’s Bench for Saskatchewan (the “**Court**”) made an order (the “**Initial Order**”) granting a stay of proceedings in respect of the Companies until January 16, 2020 pursuant to the *Companies’ Creditors Arrangement Act*, RSC 1985, c. C-36, as amended (the “**CCAA**”). The proceedings commenced under the CCAA by the Applicants are referred to herein as the “**CCAA Proceedings**”.
2. The Initial Order provided limited relief to the Applicants including (without limitation) an initial stay of proceedings (the “**Stay**”) in favour of the Applicants and their assets through to January 16, 2020, an administrative charge (the “**Administrative Charge**”) and a directors’ charge (“**Directors Charge**”).
3. The Court appointed Alvarez & Marsal Canada Inc. as monitor (the “**Monitor**” or “**A&M**”) in the CCAA Proceedings.
4. On January 16, 2020, the Court granted an Amended and Restated Initial Order (the “**ARI Order**”) providing an extension of the Stay through to (and including) March 27, 2020, a claims process order (the “**Claims Procedure Order**”), a sales and investment solicitation process order (the “**SISP Order**”) and an interim lender’s charge (the “**DIP Charge**”).
5. On February 16, 2020, as a result of the resignation or pending resignation of all of the directors of the Companies, the Court granted an order expanding the Monitor’s powers (the “**EMP Order**”), in order to (among other things), authorize and empower the Monitor to perform various activities on behalf of the Company, including entering into any contracts, collecting receipts and approving all disbursements on behalf of the Company.

Since the EMP Order, further Orders have been granted by this Honourable Court to, among other things, approve an auction; approve the activities and fees of the Monitor and its legal counsel for services rendered; increase the interim financing borrowings; amend the SISP; and extend the Stay.

6. On December 18, 2020, the Court granted an Order (the “**Sale Order**”) approving the transaction (the “**SFLP Transaction**”) contemplated in the executed revised asset purchase agreement (the “**Revised APA**”) between MIL and CRI (by and through the Monitor), on one hand, and 102114983 Saskatchewan Ltd. (to be renamed “Morris Equipment Ltd.”) (the “**Purchaser**”) on the other, as well as approving the Letter of Understanding dated November 30, 2020 between MIL and CRI (by and through the Monitor) and the Retail Wholesale and Department Store Union, Local 955 (the “**Union**”). In addition, the Court granted an Order extending the Stay to January 31, 2021, primarily to allow the Company, by and through the Monitor, to satisfy the conditions to closing of the Revised APA and to close the SFLP Transaction. As discussed below in greater detail, the Revised APA is currently under negotiation and is expected to be replaced by a Proposed New Asset Purchase Agreement (the “**Proposed New APA**”), which the parties are working to have executed by the Company and Purchaser on February 18, 2021.
7. Further information regarding the CCAA Proceedings, including copies of the Initial Order, the Amended and Restated Initial Order, and other orders, application materials and reports of the Monitor are available on the Monitor’s website at: www.alvarezandmarsal.com/morris (the “**Case Website**”).

PURPOSE

8. The purpose of this fourteenth report (the “**Report**” or “**Fourteenth Report**”) is to provide this Honourable Court with information in respect of the following:
 - a) an update on the activities of the Monitor since the thirteenth report dated January 26, 2021 (the “**Thirteenth Report**”);
 - b) a brief update on the Morris Group’s business and financial affairs;

- c) an update on the Monitor’s and the Purchaser’s efforts with respect to negotiating the MEL Transaction (as defined further in this Report) contemplated in the Proposed New APA;
 - d) a comparison of the Morris Group’s actual cash receipts and disbursements to the cash flow forecast appended to the Thirteenth Report of the Monitor (the “**Twelfth Cash Flow Forecast**”) for the period January 18, 2021 to February 7, 2021;
 - e) the Applicants’ updated cash flow forecast from February 8, 2021 through to March 31, 2021;
 - f) the request for approval of the Monitor’s activities and the professional fees and costs of the Monitor and its legal counsel; and
 - g) the request for a further extension of the Stay of Proceedings to March 31, 2021.
9. Capitalized words or terms not defined in this Report are as defined in the Initial Order, the Amended and Restated Initial Order, other orders granted by this Honourable Court and the prior reports (the “**Prior Reports**”) of the Monitor, as the case may be.
10. All references in this Report to dollars are in Canadian currency.

TERMS OF REFERENCE AND DISCLAIMER

11. In preparing this Report, A&M, in its capacity as Monitor, has been provided with and necessarily relied upon unaudited financial and other information supplied (the “**Information**”), and representations made to it, by certain senior management of the Morris Group (“**Management**”), the Applicants and certain external advisors or consultants of the Company. Except as otherwise described in this Report in respect of the Morris Group’s cash flow forecast:

- a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“CASs”) pursuant to the Chartered Professional Accountants Canada Handbook (the “CPA Handbook”) and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
 - b) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.
12. Although this information has been subject to review, A&M has not conducted an audit nor otherwise attempted to verify the accuracy or completeness of any of the information prepared by Management, the Applicants or otherwise provided by the Companies. Accordingly, A&M expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information contained in this report, or otherwise used to prepare this report.
13. Future oriented financial information referred to in this Report was prepared based on estimates and assumptions provided by senior management and employees of the Morris Group. Unless expressly stated, forecasts and projections included in this Report do not reflect the potential financial impact of COVID-19 on the Company’s operations. Although the Company has taken various measures to increase safety and to mitigate costs, it is impossible to quantify with certainty the true impact of COVID-19 on the Company’s future business operations. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results may vary from the

projections, even if the assumptions materialize, and the variations could be significant.

ACTIVITIES OF THE MONITOR

14. Since the Thirteenth Report, the Monitor's activities have included (but not been limited to) the following:
 - a) conducting ongoing discussions, meetings and communications with Management, employees and advisors of the Companies regarding the Companies' business and financial affairs;
 - b) continuing ongoing communications with the Company's stakeholders, customers, employees and secured creditors and their respective legal counsel, including the continuing involvement of the Monitor's independent legal counsel, MLT Aikins LLP ("**MLTA**");
 - c) continuing to assist the Company in collection efforts during the Reporting Period (as defined below);
 - d) monitoring the Company's response to COVID-19 and other operational matters of the Company during the proceedings;
 - e) performing a detailed review of ongoing production and procurement activities at each of the production facilities mainly in respect of firm orders and forecast orders from the Company's major customer located in Australia (the "**Australian Dealer**") and planning for forecast whole goods and parts orders in the North American and European markets;
 - f) reviewing month-end reporting of inventory, accounts receivable balances and other working capital items, to the primary secured creditor and interim financing lender, Bank of Montreal ("**BMO**");
 - g) ongoing review of purchase requisitions and other funding requests pursuant to the requirements under the Interim Financing Facility;

including numerous discussions with Superior Farms Solutions Limited Partnership (“SFLP”) in respect of orders from the Australian Dealer and purchase orders required to meet forecast demand for whole goods and parts orders in the North American and European markets;

- h) assisting the Company in applying for and receiving wage subsidies available under the Canada Emergency Wage Subsidy (“CEWS”) and Canada Emergency Rent Subsidy (“CERS”) programs;
- i) conducting negotiations of the Proposed New APA with SFLP, with comments and involvement from BMO and FCC (as further described below). The Company and the Purchaser are working to be in a position to execute the Proposed New APA on February 18, 2021;
- j) reviewing inbound interest from other potential capital providers or purchasers as it relates to the sale of significant portions of the assets of the Morris Group in CCAA;
- k) continuing discussions, due diligence assistance, operational planning and negotiations with SFLP in respect of transitional planning for forecast whole goods and parts orders for the North American and European market; and
- l) holding ongoing discussions with BMO and FCC related to the Proposed New APA, the CCAA Proceedings and impending bankruptcy application on behalf of BMO.

OPERATIONAL UPDATE SINCE THE THIRTEENTH REPORT

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

- a) The Companies continued to sell manufactured whole goods and parts inventory to dealers in the ordinary course of business and continued to actively pursue the collection of accounts receivable. To date, the Companies have produced and shipped approximately \$9.0 million in

inventory to the Australian Dealer in accordance with the terms of the Australian Sales Agreement. Of the \$9.0 million, the Companies have been able to collect, on a combined basis, approximately \$3.2 million from SFLP and RW Roads from the Australian Sales Agreement. The Company has shipped all of the whole goods under the Australian Sales Agreement.

- b) As at February 8, 2021, the Companies have approximately \$8.8 million in outstanding and uncollected accounts receivables, which is broken down as follows:
 - i. Approximately \$1.5 million in accounts receivable from various dealers across Canada, the U.S.A. and Eastern Europe (excluding Australia);
 - ii. Approximately \$1.6 million in accounts receivable directly from the Australian Dealer. Of this outstanding balance, the Company expects to collect approximately \$172,000 in February 2021; and
 - iii. Approximately \$5.7 million in accounts receivable from SFLP and RW Roads Solutions Limited Partnership (“**RW Roads**”) with respect to the Australian Sales Agreement.

- 16. As previously reported, the combination of the timing of orders being placed for the Australian Dealer and the collection of the accounts receivable owed by the Australian Dealer directly and SFLP/RW Roads directly to the Companies has had a significant strain on the Companies’ working capital. In order to address this working capital strain, the Companies have continued to order raw materials for MIL under the arrangement with SFLP in order to allow the Companies to meet their significant production needs. As at February 8, 2021, the Monitor understands that SFLP has ordered approximately \$3.0 million of raw materials which relate to future production requirements. The Monitor understands that SFLP is expected to continue to issue purchase orders for similar purposes.

17. The Company, by and through the Monitor, has continued to host multiple communications with BMO and FCC with respect to the CCAA Proceedings and to facilitate the negotiation of the Proposed New APA, which the parties are working to have executed on February 18, 2021. The Company continued to report to BMO, as the DIP Lender, in accordance with the DIP Facility agreement and the Monitor assisted the Company in the preparation of the cash flow and variance reporting to BMO.

UPDATE ON THE SLFP TRANSACTION

18. As reported in the Thirteenth Report, the Monitor, MIL and CRI (by and through the Monitor) intended to close the SFLP Transaction (as contemplated in the Revised APA) on or before February 15, 2021. However, as a result of the Purchaser experiencing additional delays in receiving the funding which had been expected from its equity sponsor, the necessary funds to complete the SFLP Transaction were not available by February 15, 2021. As a result, the SFLP Transaction did not close on that date.
19. As a result of the above, the Monitor and SFLP (in addition to conducting multiple communications with FCC and BMO) are in the process of negotiating a Proposed New APA to reflect changes and negotiations on an appropriate financing arrangement between FCC, BMO and SFLP.
20. The Monitor, acting on behalf of the Companies, is working to be in a position to execute the Proposed New APA with a nominee of SFLP known as Morris Equipment Ltd. (“**MEL**”) on February 18, 2021. Both BMO and FCC have expressed their support in principle for the Proposed New APA and the financing required to close the transaction contemplated therein (the “**MEL Transaction**”). Once the Proposed New APA has been executed, the Monitor anticipates filing a Confidential Appendix and supplemental report to the Fourteenth Report outlining the details of the transaction contemplated therein and seeking a sales approval and vesting order.

CASH FLOW RESULTS

21. The Company's actual cash receipts and disbursements compared to the Eleventh Cash Flow Forecast for the period from January 18, 2021 to February 7, 2021 (the "Reporting Period"), appended to the Fourteenth Report of the Monitor are summarized below:

MORRIS GROUP Cash Flow Variance Analysis For the period January 18, 2021 to February 7, 2021 (In CAD \$000s)				
	Jan 8, 2020 to Feb 7, 2021	January 18, 2021 to February 7, 2021		
	Actual	Actual	Forecast	Var (\$)
Receipts				
Whole goods and parts collections	\$ 11,211	\$ 886	\$ 671	\$ 215
Draw on EDC insured foreign receivable	7,490	-	-	-
Sale of excess inventory	1,644	-	-	-
CEWS and CERS receipts	2,446	-	45	(45)
Other collections	356	13	-	13
Total receipts	23,147	899	716	183
Disbursements				
Production costs	6,794	137	126	(12)
Operating expenses	2,469	164	82	(82)
Critical Suppliers	252	-	-	-
Wind down of MSS	63	-	-	-
Insurance costs	952	50	108	58
Union settlement	118	-	-	-
Payroll and pension	9,584	708	783	75
Marketing costs	50	-	-	-
Rent and property taxes	1,237	54	54	-
Other operating costs	1,457	105	94	(12)
DIP interest, fees and costs	1,211	59	61	1
PMSI priority payments	-	-	-	-
Professional fees and costs	3,971	-	-	-
Total disbursements	28,159	1,277	1,306	28
Net cash flow from operations	(5,011)	(378)	(590)	212
DIP draws (repayments)	5,011	378	590	212
Net cash flow from financing	5,011	378	590	212
Net cash flow	\$ -	\$ -	\$ -	\$ -
Interim Financing (DIP Facility)				
Maximum Available DIP	\$ 6,500	\$ 6,500	\$ 6,500	
Opening Drawn Balance	\$ 1,243	\$ 5,876	\$ 5,876	\$ -
Draws (Repayments)	5,011	378	590	212
Ending DIP Balance (Cash)	6,254	6,254	6,466	212
DIP Availability during the Period	\$ 246	\$ 246	\$ 34	\$ 212
Australian Dealer Collections				
Opening Cash Balance	\$ -	\$ -	\$ -	\$ -
Collections	7,490	-	-	-
Draws	(7,490)	-	-	-
Ending Cash Balance	\$ -	\$ -	\$ -	\$ -

22. Over the Reporting Period, the Company experienced a favourable cash flow variance of approximately \$212,000 as a result of various permanent and temporary differences, which primarily related to:
- a) whole goods and parts collections were \$215,000 higher than forecast due primarily to temporary differences with respect to timing of accounts receivable collections from RW Roads;
 - b) operating expenses were \$82,000 higher than forecast due to temporary timing differences with respect to payment of certain operating costs;
 - c) insurance costs were lower than forecast due to temporary timing differences with respect of the payment of premiums to extend insurance coverage past January 31, 2021; and
 - d) payroll and pension costs were \$75,000 lower than forecast as a result of a reduction of employees (as discussed in the Thirteenth Report).

UPDATED CASH FLOW FORECAST

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

MORRIS GROUP Cash Flow Forecast For the Period February 8, 2021 to March 31, 2021 <i>(In CAD \$000s)</i>		Total Feb 1/21 to Mar 31/21
Receipts		
MEL Transaction - funds paid on close (redacted)		██████████
Whole goods and parts collections		394
Canada Emergency Wage and Rent Subsidy receipts		23
Total Receipts		417
Disbursements		
Production costs	\$	121
Operating expenses		148
Insurance costs		130
Union settlement		572
Payroll and pension		623
Rent and property taxes		7
Other operating costs		130
DIP interest, fees and costs		136
PMSI priority payments		254
Professional fees and costs		902
Repayment of interim financing		6,254
Total Disbursements		9,278
Net Cash Flow	\$	(8,861)

24. The Company’s ability to operate in the CCAA Proceedings and until the next stay extension is contingent on the MEL Transaction closing in the near term. More immediately, the Company will need to collect accounts receivable from its Australian Dealer and from SLFP in order to fund disbursements until the MEL Transaction closes. The details of the funds payable to the Company upon the closing of the MEL Transaction are the same as what was stipulated in the Revised APA, which was shared with this Court in the confidential appendices to the Twelfth Report.

25. The Monitor's comments with respect to the Thirteenth Cash Flow Forecast are as follows:
- a) Collection of funds by the Purchaser to the Company on the closing date of the MEL Transaction. The quantum of these funds is confidential and was shared with this Court in the confidential appendices to the Twelfth Report;
 - b) Whole goods and parts collections total approximately \$400,000, which relates to the following:
 - i. \$200,000 of whole goods collections under the Australian Sales Agreement with SLFP;
 - ii. \$172,000 of whole goods and parts collections from the Australian Dealer; and
 - iii. \$22,000 of collections from trade accounts receivable due from various dealers across Canada, the U.S.A. and Eastern Europe (excluding Australia);
 - c) Canada Emergency Rent Subsidy receipts were previously received and reported on in the Eleventh Cash Flow Forecast. A second and third CERS application are expected to be submitted and collected in the Forecast Period;
 - d) Disbursements include payments in the ordinary course of business within the CCAA proceedings and on normal payment terms;
 - e) Settlement payable to the Union upon closing the MEL Transaction, pursuant to the Letter of Understanding dated November 30, 2020;
 - f) PMSI priority payments in respect of certain equipment sold through auction are forecast to be paid, subject to a review of the enforceability and validity of the security as well as appropriate cost allocations.

Owing to cash flow constraints described above, the Monitor proposes to develop a plan to pay such PMSI priority payments to secured creditors in an orderly fashion over time on terms to be discussed and agreed upon with such PMSI secured creditors;

- g) Professional fees and disbursements of the Monitor and the Monitor's counsel for the period of November 2020 to January 2021 and bankruptcy retainers for the Trustee and the Trustee's Counsel are paid during the Forecast Period; and
- h) Payment to BMO for outstanding interim financing as at February 8, 2021. This payment will be made out of the funds received on the close of the MEL Transaction.

26. The Thirteenth Cash Flow Forecast is based on assumptions regarding future events provided by Management. Management advises that actual results will vary from the information presented even if the Cash Flow Assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Thirteenth 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 Fourteenth Report or relied upon by the Monitor in preparing this Fourteenth Report.

APPROVAL OF FEES AND EXPENSES

27. As previously reported, the Monitor sought and received approval from this Honourable Court of the professional fees of the Monitor and its legal counsel leading up to the Filing Date (January 8, 2020) and from the Filing Date to December 31, 2020.
28. The Monitor respectfully seeks further approval from this Honourable Court of the respective professional fees and disbursements of the Monitor and its legal counsel for the period of time from January 1, 2021 to January 31, 2020.

29. Professional fees and disbursements rendered by the Monitor from January 1, 2021 to January 31, 2021, total \$189,243.50 (exclusive of GST). These fees include those of the Monitor and its affiliated company, Alvarez & Marsal Canada Securities ULC, totaling \$41,062.50, with corresponding additional expenses incurred and made on behalf of the Company totalling approximately \$258.49. The accounts will be made available upon request and are summarized in Appendix B to this Report.
30. Professional fees and disbursements rendered by MLT Aikins LLP, the Monitor's counsel, from January 1, 2021 to January 31, 2021, total \$39,330.25 (exclusive of GST and PST). The accounts will be made available upon request and are summarized in Appendix B to this Report.
31. The accounts of the Monitor and its legal counsel outline the date of the work completed, the description of the work completed, the length of time taken to complete the work and the name of the individual who completed the work.
32. The Morris Group has paid the professional fees and costs of the Monitor and the Monitor's legal counsel for the period of time from January 1, 2020 through to October 31, 2020. These payments are reflected in the actual cash flow receipts and disbursements discussed above.
33. Payment of the Monitor's and the Monitor's counsel's professional fees and costs for the period November 1, 2020 to January 31, 2021 are contemplated in the Thirteenth Cash Flow Forecast.
34. The Monitor respectfully submits that its professional fees and disbursements and those of its legal counsel are fair and reasonable in the circumstances, given the extensive tasks required to be performed by the Monitor and its legal counsel within the CCAA Proceedings, including, in regard to: (i) negotiations of the APAs, the Revised APA, the Proposed New APA and comprehensive communications with significant stakeholders involved in the CCAA Proceedings, including the Union, Service Canada, secured creditors, unsecured creditors and various dealers; and (ii) the exercise of the enhanced powers of the Monitor required to be performed

pursuant to the EMP Order, which includes the Monitor providing managerial oversight over the entire operations of the Morris Group.

35. The Monitor and its legal counsel anticipate rendering invoices for their respective fees and disbursements for services rendered in February of 2021 in the coming weeks. The Monitor will report further to this Honourable Court with respect to these fees and disbursements in due course.

EXTENSION OF THE STAY OF PROCEEDINGS

36. Pursuant to the Initial Order, the stay period is set to expire on February 28, 2021. As described in the application materials filed on February 16, 2021, the Companies are seeking an Order granting an extension of the stay period from February 28, 2021 to March 31, 2021.
37. The Monitor has considered various factors with respect to the Morris Group's application for a further Stay Extension Order to March 31, 2021, including:
 - a) the likelihood and timing of the Company executing the Proposed New APA with the Purchaser;
 - b) the likelihood and timing of the Company satisfying the conditions included in the Proposed New APA;
 - c) whether or not there would be any material financial prejudice to any of the Morris Group's creditors;
 - d) the fact that the Companies appear to have sufficient liquidity until February 18, 2021, when the Proposed New APA may be executed;
 - e) the level of support for such an extension communicated by the Morris Group's primary secured creditors;
 - f) whether the Morris Group is acting in good faith and with due diligence; and

g) whether the Morris Group's prospects of effecting a viable restructuring would be enhanced by an extension of the Stay of Proceedings.

38. The Monitor is of the view that the Morris Group is (and continues to be) acting in good faith and with due diligence and that there would not be any material prejudice to the Morris Group's stakeholders should the proposed stay extension to March 31, 2021 be granted by this Honourable Court.
39. The Monitor will continue to work with the Purchaser in order to execute the Proposed New APA. Once the Proposed New APA has been executed, the Monitor intends to file a Confidential Appendix and supplemental report to the Fourteenth Report outlining the details of the transaction contemplated therein and seeking a sales approval and vesting order.

MONITOR'S RECOMMENDATION

40. The Monitor respectfully recommends that this Honourable Court grant the following:
- a) the proposed Stay Extension Order from February 28, 2021 to March 31, 2021;
 - b) an order approving the fees and disbursements of the Monitor and its legal counsel for the period from January 1 to January 31, 2021; and
 - c) an Order approving the Monitor's actions, activities and conduct as described in this Report.

[Signature Page Follows]

All of which is respectfully submitted to this Honourable Court this 16th day of February 2021.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Monitor of 101098672 Saskatchewan Ltd.,
Morris Industries Ltd., Morris Sales and Service Ltd.,
Contour Realty Inc. and Morris Industries (USA) Inc.
and not in its personal or corporate capacity**



Per: _____
Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice President



Per: _____
Chad Artem, CPA, CA, CBV
Senior Manager

Appendix A

Thirteenth Cash Flow Forecast to March 31, 2021

MORRIS GROUP
7 Week Cash Flow Forecast
For the Period February 8, 2021 to March 31, 2021
(In CAD \$000s)

Week ended	Notes	Week 1 12-Feb-21	Week 2 19-Feb-21	Week 3 26-Feb-21	Week 4 5-Mar-21	Week 5 12-Mar-21	Week 6 21-Mar-21	Week 7 31-Mar-21	Week 1 to 7 Total
Receipts									
MEL Transaction - funds paid on close	1								
Whole goods and parts collections	2	22	372	-	-	-	-	-	394
Sale of excess inventory		-	-	-	-	-	-	-	-
Canada Emergency Wage and Rent Subsidy receipts	3	-	-	11	-	-	11	-	23
Recovery of Wage Earner Protection Program eligible amounts	4	-	-	-	-	-	-	-	-
Total Receipts		22	372	11	-	-	11	-	417
Disbursements									
Production costs	5	59	50	13	-	-	-	-	121
Operating expenses	6	24	52	23	10	10	19	10	148
Insurance costs	7	92	-	30	-	2	-	5	130
Union settlement	8	-	-	572	-	-	-	-	572
Payroll and pension costs	9	-	300	89	150	-	24	60	623
Rent and property taxes	10	-	7	-	-	-	-	-	7
Other operating costs	11	10	18	3	86	-	12	-	130
DIP interest, fees and costs	12	-	-	-	68	-	-	68	136
PMSI priority payments	13	-	-	-	-	-	-	254	254
Professional fees and costs	14	-	-	150	752	-	-	-	902
Repayment of interim financing	15	-	-	-	-	-	-	6,254	6,254
Total Operating Disbursements		185	427	880	1,066	12	55	6,652	9,278
Net Cash Flow		\$ (163)	\$ (55)	\$ (868)	\$ (1,066)	\$ (12)	\$ (44)	\$ (6,652)	\$ (8,861)

NOTES AND ASSUMPTIONS

7 Week Cash Flow Forecast

Notice to Reader

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

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

- 1 The MEL Transaction funds are confidential and will be paid by the Purchaser to the Company on the Closing Date of the MEL Transaction. The Company's ability to operate in the CCAA Proceedings and until the next stay extension is contingent on the MEL Transaction closing in the near term and funds being paid by the Purchaser to the Company.
- 2 Whole goods collections include previously shipped whole goods and parts. The Company expects receipts from the Australian Dealer in February 2021 totalling approximately \$172,000. Additionally, the Company is expected to collect approximately \$200,000 in cash receipts over the Forecast Period under the Australian Sales Agreement with SFLP.
- 3 Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") receipts of \$2.4 million were received during the CCAA Period. Two CERS applications are expected to be submitted and collected in the Forecast Period.
- 4 Wage Earner Protection Program ("WEPP") eligible amounts of \$402,000 for payments made by the Company to the Union for severance entitlements amounts are expected to be recovered from Service Canada subsequent to the Forecast Period.
- 5 Production costs include approximately \$121,000 of raw material purchases required to produce whole goods and parts to meet anticipated North American market demand. The Company anticipates it may need to order (through SFLP) additional raw materials during the Forecast Period in order to meet forecast demand up to the anticipated Closing Date of the MEL Transaction.
- 6 Estimated costs associated with ongoing production and operating activities.
- 7 Insurance includes group and corporate insurance policies with scheduled monthly payments.
- 8 The union settlement contemplates payments to the terminated Yorkton union employees in exchange for a letter of understanding to amend the collective bargaining agreement. The settlement is payable out of proceeds received upon closing of the MEL Transaction.
- 9 The Work Share program effectively reducing hours to 80% has been extended through to March 27, 2021. Eight applications for government relief under the Canada Emergency Wage Subsidy program were submitted and accepted between the months of June and November 2020 and subsidies have been received by
- 10 Rent includes lease payments for all of Morris' currently occupied premises.
- 11 Other operating costs includes payments of WCB insurance, bank fees, utilities, software, IT, travel and related costs.
- 12 Legal professional fees and costs associated with securing and servicing the necessary in place DIP Facility, which bears an interest rate of 12%.
- 13 Purchase money security interest relating to two Kubota units and four DLL-financed units sold through the Ritchie Bros. auction.
- 14 Expected professional fees to be incurred by Morris' professional and legal advisors as well as the CCAA Monitor and Monitor's counsel's fees, which are inclusive of anticipated bankruptcy retainers.
- 15 Interim financing balance as at February 8, 2021. Payable to BMO with funds from the MEL Transaction.

Appendix B

Summary of the Monitor and its Legal Counsel's Fees and Costs

Morris Group
Summary of the Monitor's and its Counsel's Statements of Account
For the period January 1, 2020 to January 31, 2021

Invoice	Period	Fees	Disbursements	Sub-total	GST	PST	Total
Alvarez & Marsal Canada							
Corporate Restructuring							
14	Jan.1-31/20	148,181.00	258.49	148,439.49	7,421.97	-	155,861.46
Corporate Finance							
14	Jan.1-31/20	41,062.50	-	41,062.50	2,053.13	-	43,115.63
Total							
14	Jan.1-31/20	\$ 189,243.50	\$ 258.49	\$ 189,501.99	\$ 9,475.10	\$ -	\$ 198,977.09
MLT Aikins LLP							
14	Jan.1-31/21	39,111.00	219.25	39,330.25	1,958.51	2,346.66	43,635.42
		\$ 39,111.00	\$ 219.25	\$ 39,330.25	\$ 1,958.51	\$ 2,346.66	\$ 43,635.42