



No. S209201
Vancouver Registry

~~IN THE~~ SUPREME COURT OF BRITISH COLUMBIA

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

AND

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

PETITIONERS

NINTH REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.

September 21, 2021

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1.0 INTRODUCTION

- 1.1 On September 14, 2020, Mountain Equipment Co-operative (subsequently renamed 1077 Holdings Co-operative) and 1314625 Ontario Limited (together, the “**Petitioners**” or “**1077**”) were granted an initial order (the “**Initial Order**”) by the Supreme Court of British Columbia commencing proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Among other things, the Initial Order afforded 1077 an initial stay of proceedings up to and including September 24, 2020 (the “**Stay Period**”) and appointed Alvarez & Marsal Canada Inc. as monitor of 1077 (the “**Monitor**”) during the CCAA Proceedings.
- 1.2 On October 2, 2020, this Honourable Court pronounced the amended and restated initial order (the “**ARIO**”) and sale approval and vesting order (the “**SAVO**”) to approve the sale transaction (the “**Sale Transaction**”) contemplated by the asset purchase and sale agreement between the Petitioners and 1264686 B.C. Ltd. (the “**Original Purchaser**”) dated September 11, 2020 (the “**APA**”) for the sale of the Purchased Assets and to vest all of the Purchased Assets in the Original Purchaser’s permitted assignee free and clear of any Encumbrances other than Permitted Encumbrances, as such capitalized terms are defined in the APA.
- 1.3 On October 21, 2020, this Honourable Court pronounced an assignment order to assign all of the rights and obligations of the Petitioners under certain contracts to the Original Purchaser’s assignee, 1266524 B.C. Ltd. (subsequently renamed MEC Mountain Equipment Company Ltd. on January 7, 2021 and referred to hereinafter as the “**Purchaser**”).
- 1.4 The Sale Transaction closed on October 30, 2020 (the “**Closing Date**”).
- 1.5 On November 27, 2020, this Honourable Court pronounced an order enhancing the powers of the Monitor and an order (the “**Claims Process Order**”) setting a claims process (the “**Claims Process**”) by which creditors may confirm or prove their claims against the Petitioners.
- 1.6 On June 23, 2021, this Honourable Court pronounced an order further extending the Stay Period to September 28, 2021 (the “**Stay Extension Order**”).
- 1.7 Concurrent with this ninth report of the Monitor dated September 21, 2021 (the “**Ninth Report**”), the Monitor has filed a notice of application with this Honourable Court, returnable on September 28, 2021, seeking approval of an extension of the Stay Period through to December 10, 2021.

- 1.8 Further information regarding these CCAA Proceedings, including the Initial Order, affidavits, reports of the Monitor and all other Court-filed documents and notices are available on the Monitor's website at www.alvarezandmarsal.com/mec.

2.0 PURPOSE

- 2.1 This Ninth Report has been prepared by the Monitor to provide information to this Honourable Court in respect of the following:

- a) the activities of the Monitor since the eighth report of the Monitor dated June 18, 2021 (the **"Eighth Report"**);
- b) a status update on the Monitor's administration of the Claims Process;
- c) a comparison of the actual cash receipts and disbursements compared to the cash flow forecast (the **"Fifth Cash Flow Forecast"**) as appended to the Eighth Report; and
- d) an updated cash flow forecast for the period September 11, 2021 to December 10, 2021 (the **"Sixth Cash Flow Forecast"**) and comments in respect of same.

- 2.2 Background information, including capitalized terms not defined herein, are contained in the Initial Order, the ARIO, the SAVO, and the Monitor's previous reports, and have not been repeated herein.

3.0 SCOPE LIMITATION

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

4.0 ACTIVITIES OF THE MONITOR

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

Review of CCAA Court Materials

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

Assisting with Post-Closing Matters related to the Sale Transaction

- b) reviewing documentation in respect of transferring certain contracts and accounts assumed by the Purchaser;

- c) reconciling deposits and corresponding with the Purchaser to coordinate the return of certain deposits received by the Petitioners that may belong to the Purchaser;
- d) reviewing and filing certain joint tax elections with the Purchaser;

Administering the Claims Process

- e) administering the Claims Process in accordance with the Claims Process Order (including dealing with numerous enquiries and follow-up correspondence with Claimants), as further described in section 5.0 of this report and as previously described in the Eighth Report;

Monitoring of Cash Receipts & Disbursements

- f) preparing and reviewing weekly payments as well as reconciling cash receipts and disbursements of the bank accounts of the Petitioners and trust accounts of the Monitor;
- g) consolidating and closing bank accounts of the Petitioners where appropriate;
- h) coordinating the cancellation and release of issued and outstanding letters of credit;

Statutory and Other Responsibilities

- i) preparing this Ninth Report;
- j) reconciling and filing of post-filing GST returns as well as corresponding with the Canada Revenue Agency (“CRA”) regarding a post-filing period GST review by the CRA;
- k) attending to numerous telephone calls with and correspondence received from the CRA regarding reconciliation of pre-filing payroll withholdings remittances, amendments to banking details, the Monitor’s access to the accounts of 1314625 Ontario Limited, and other related matters;
- l) coordinating the completion of the Petitioners’ year-end financial statements and filing of the Petitioners’ corporate tax returns;
- m) holding discussions with the Canada Border Services Agency (“CBSA”) and the former import and export broker of 1077 to address CBSA’s request for amendments to pre-filing import declarations;
- n) reviewing 1077’s Memorandum and Rules of Co-operation and preparing for the transfer of 1077’s website materials to the Monitor’s website;
- o) attending to correspondence with the Ontario, British Columbia and Quebec Workers’ Compensation Boards regarding filing of pre-filing annual returns and/or reconciliation of same;
- p) responding to information requests regarding former employees;

- q) engaging KPMG LLP to assist with trade and customs recovery of levies applied by the CBSA for importation of certain goods;

Books and Records and Data Management

- r) working collaboratively with the Purchaser's in-house legal counsel to establish appropriate protocols to maintain the integrity of the Petitioners' data held by the Monitor which includes both records that should be made available to the Purchaser, as well as information that is not permitted to be accessible by the Purchaser pursuant to the terms of the APA and applicable provincial privacy legislation;
- s) reviewing and coordinating the future staged destruction of the Petitioners' physical books and records currently held in off-site storage, while adhering to the books and records retention periods required under statute;
- t) coordinating the retrieval of additional terminated employee records located at various retail stores of the Purchaser to the office of the Monitor;

Creditor and Other Stakeholder Matters

- u) receiving and responding to telephone and email inquiries from trade creditors, members, former employees and other interested parties;
- v) reviewing and modifying severance calculations in consultation with the Monitor's legal counsel;

Other Matters

- w) reviewing information relating to and preparing for the wind-down of 1077's interest in Park Towns Developments Limited Partnership, a residential townhouse project located in Toronto, Ontario; and
- x) reviewing documentation in respect of two endowment funds established by the Petitioners in 1993 and 2005 and directing the Vancouver Foundation to proceed with disbursement of remaining and annual income to the Canadian Parks and Wilderness Society.

5.0 CLAIMS PROCESS – STATUS UPDATE

Update of Claims Process

- 5.1 Capitalized terms used but not defined in this section of the Ninth Report have the meaning ascribed to them in the Claims Process Order.
- 5.2 Tabled below is an updated summary of the Claims including the number and quantum of the Proofs of Claims submitted by Claimants and Employee Claimants, Notices of Revision or

Disallowance (“**NORDs**”) issued by the Monitor, Claims accepted by the Monitor (the “**Accepted Claims**”), and unresolved Claims that remain subject to dispute (the “**Disputed Claims**”):

1077 Holdings Co-operative and 1314625 Ontario Limited Summary of Claims as at September 15, 2021 (in CAD 000's)								
	Proofs of Claim		Notice of Revision or Disallowance		Accepted Claims		Disputed Claims	
	No.	Claim Amount (\$)	No.	Disallowed Amount (\$)	No.	Accepted Amount (\$)	No.	Disputed Amount (\$)
Landlord	8	\$ 68,829	8	\$ 72,855	3	\$ 3,817	6	\$ 59,913
Employee	47	3,750	45	2,105	227	8,707	4	426
Trade and other	38	9,908	32	7,836	13	2,149	6	3,583
Equity	2	1	2	1	-	-	-	-
Total	95	\$ 82,488	87	\$ 82,796	243	\$ 14,673	16	\$ 63,922

- 5.3 As at the date of this Ninth Report, the Monitor has received 95 Proofs of Claim with a total claim value of approximately \$82.5 million and has responded to 87 Claimants through NORDs, except where the Proof of Claim had been withdrawn by the Claimant or accepted in its entirety by the Monitor.
- 5.4 Subsequent to filing the Eighth Report, total Accepted Claims have increased by \$4.2 million as a result of the following:
- a) the Monitor and its legal counsel engaged in settlement negotiations with the landlord Claimants and reached an agreement with one landlord;
 - b) the Monitor accepted one additional Proof of Claim, submitted subsequent to the Claims Bar Date, from a trade creditor with an unsecured claim amount of \$227,000; and
 - c) the Monitor, in consultation with its legal counsel, revised 26 Accepted Claims of Employees upwards by \$770,000 as a result of consideration of additional information and documentation relating to contractual severance entitlements.
- 5.5 As at the date of this Ninth Report, there are 243 Accepted Claims totaling \$14.7 million that the Monitor has or is deemed to have accepted.
- 5.6 Pursuant to the Claims Process Order, Claimants and Employee Claimants may submit a Notice of Dispute (“**NOD**”) within 30 days of receiving a NORD, or such other date as may be agreed to by the Monitor in writing. Any Claim that is unable to be resolved between a Claimant and the Monitor will be adjudicated by the Court or a Claims Officer at the sole discretion of the Monitor.

Disputed Claims

- 5.7 At present, there are 16 Disputed Claims totaling \$63.9 million that remain unresolved which consist of six Claims from landlords and/or its assignee, four Claims from Employees, and six Claims from trade and other creditors. It is the Monitor's intention to make an application, in the near term, to seek direction from this Honourable Court to resolve certain of the Disputed Claims.

Landlords

- 5.8 As at the date of the Ninth Report, six Claims from landlords and/or its assignee relating to disclaimed realty leases remain unresolved which are summarized in the table below:

1077 Holdings Co-operative and 1314625 Ontario Limited Summary of Disputed Landlord Claims as at September 15, 2021 (in CAD 000's)		
Name	Premises	Disputed Claim Amount (\$)
Plateau Village Properties Inc.	460 Na'a Drive SW, Calgary, AB	\$ 15,187
0965311 B.C. Ltd.	1077 Great Northern Way, Vancouver, BC	22,644
Midtown Plaza Inc.	Store No. 68 at Midtown Plaza, Saskatoon, SK	13,877
Brookfield Residential (Alberta) LP	710 - 19587 Seton Crescent SE, Calgary, AB	7,222
169159 Canada Inc. (*)	4394 St-Denis Street, Montreal, QC	250
Argo Partners as Assignee of 169159 Canada Inc. (*)	4394 St-Denis Street, Montreal, QC	733
Total		\$ 59,913

(*) Duplicative claims were received for a disclaimed realty lease in Montreal, QC from the landlord of the premises and an assignee of the landlord.

- 5.9 Since the Eighth Report, the Monitor requested and received additional information to support the calculation of the six claims submitted by landlords (the "**Landlord Claimants**"), excluding a duplicative claim submitted by an assignee of one of the landlords. (the "**Landlord Claims**"). The Monitor subsequently, and in consultation with Avison & Young Consulting Services LP and the Monitor's legal counsel, recalculated the quantum of each of the Landlord Claims based on a review and consideration of, *inter alia*, the following factors:

- the complexity of commercial factors unique to each subject property and underlying lease agreement;
- an applicable real estate capitalization rate, after considering the relevant asset class, market, and geography as an approximation of a discount factor, to be applied to each of the Landlord Claimants' claimed losses;
- whether the property was subsequently tenanted and/or sold following the disclaimer of the subject lease;

- d) the anticipated period of which the premises would remain vacant, including: (i) expected rent abatements; (ii) fixturing periods; and (iii) estimated re-letting costs, such as leasing commissions, tenant inducements, and reconfiguration costs, to secure prospective tenants;
 - e) whether reasonable measures were undertaken by each of the Landlord Claimants' to mitigate the resulting loss and/or damages of the disclaimer, and whether such losses were as a result of the disclaimer of the underlying lease; and
 - f) whether sufficient documentation was provided to the Monitor to support the claim.
- 5.10 Based on the Monitor's review and assessment of each Landlord Claim, the Monitor proposed settlement offers ("**Settlement Offers**") to the six Landlord Claimants, with a deadline to accept the Settlement Offers by September 10, 2021 (the "**Acceptance Date**").
- 5.11 As at September 15, 2021, one landlord has accepted its Settlement Offer, one landlord has requested an extension of the Acceptance Date to September 24, 2021, two landlords have submitted counter-offers to the Monitor, and the Monitor is awaiting counteroffers and/or omitted information from two other Landlord Claimants. The outstanding Landlord Claims and Settlement Offers are further detailed below.
- Plateau Village Properties Inc.
- 5.12 Plateau Village Properties Inc. ("**Plateau Village**") submitted a Proof of Claim for \$15.2 million (the "**Plateau Village Claim**") relating to a disclaimed realty lease for a retail store located at the Trinity Hills development in northern Calgary, Alberta (the "**Trinity Hills Property**"). The lease was disclaimed effective October 16, 2020, and 1077 had been expected to occupy the premises in June 2021.
- 5.13 The Plateau Village Claim was primarily a Restructuring Period Claim for the loss of rent for the 15-year lease term which incorporated a risk-free discount rate. The Plateau Village Claim included a qualitative description of additional damages which included, among other things, estimated tenant inducements, leasing commissions, financing costs, internal staffing costs, and construction and reconfiguration costs associated with the Trinity Hills Property. Subsequent to the submission of the Plateau Village Claim, Plateau Village provided additional information and quantified the additional damages.
- 5.14 Prior to the Acceptance Date, legal counsel to Plateau Village requested an extension of the Acceptance Date to September 20, 2021, which request was granted by the Monitor. The Monitor subsequently granted an additional request for a further extension to September 24, 2021.

0965311 B.C. Ltd.

- 5.15 0965311 B.C. Ltd. (“**096**”) submitted a Proof of Claim (the “**096 Claim**”) for \$22.6 million relating to a disclaimed realty lease for the Petitioners’ former head office located in Vancouver, British Columbia (the “**Vancouver Property**”). The lease was disclaimed effective December 31, 2020.
- 5.16 The 096 Claim consisted of a significant Restructuring Period Claim for the loss of rent for an anticipated period of vacancy, as well legal fees incurred and estimated tenant inducements and leasing commissions to secure a prospective tenant. Following the submission of the 096 Claim, the Vancouver Property was sold to a third party in March of 2021. Discussions with 096 are ongoing.

Midtown Plaza Inc.

- 5.17 Midtown Plaza Inc. (“**Midtown Plaza**”) submitted a Proof of Claim (the “**Midtown Plaza Claim**”) for \$13.9 million relating to a disclaimed realty lease for a retail store located at the Midtown Plaza in Saskatoon, Saskatchewan (the “**Saskatoon Property**”). The lease was disclaimed effective October 16, 2020.
- 5.18 The Midtown Plaza Claim included pre-filing arrears and a significant Restructuring Period Claim for the loss of rent for the remaining 9.5 years of the lease, as well as estimated capital costs to be incurred for the Saskatoon Property for the benefit of 1077, reletting and marketing costs for 1077’s premises and the surrounding vacancy in the Midtown Plaza, and lost rent from other tenants in the development. Discussions with Midtown Plaza are ongoing.

Brookfield Residential (Alberta) LP

- 5.19 Brookfield Residential (Alberta) LP (“**Brookfield**”) submitted an amended Proof of Claim (the “**Brookfield Claim**”) for \$7.2 million relating to a disclaimed realty lease for a retail store located at the Seton development in southern Calgary, Alberta (the “**Seton Property**”). The lease was disclaimed effective November 29, 2020, and, following the date of the Seton Property disclaimer, Brookfield secured a 10-year lease with a new tenant to occupy the Seton Property premises commencing on November 1, 2021 (the “**New Lease**”).
- 5.20 The Brookfield Claim included pre-filing arrears as well as a significant Restructuring Period Claim for the rent differential between 1077’s lease and the New Lease for the remaining 7.7 years and additional damages including: (i) tenant inducements; (ii) leasing commissions; (iii) legal costs and other operational costs; and (iv) a ‘loss of opportunity’ representing the expected

delay that Brookfield may experience in realizing upon a fully-tenanted development.

Discussions with Brookfield are ongoing.

169159 Canada Inc. and Argo Partners

- 5.21 Two Proofs of Claims (the “**St. Denis Claim**”) were submitted for the retail store located in St. Denis, Quebec (the “**St. Denis Property**”)—one of which was submitted by the landlord, 169159 Canada Inc. (“**169**”), and the other submitted by Argo Partners, a party claiming to have been assigned the St. Denis Claim. The lease was disclaimed effective October 16, 2020.
- 5.22 A Settlement Offer was sent to 169, the acceptance of which was conditional on 169 having resolved Argo Partner’s duplicative claim and having provided sufficient documentation to the Monitor confirming same. Discussions with 169 and Argo Partners are ongoing.

Employees

- 5.23 Four Employee Claims totaling approximately \$426,000 remain under dispute. These Employee Claims are summarized in the following table:

1077 Holdings Co-operative and 1314625 Ontario Limited Summary of Disputed Employee Claims as at September 15, 2021 (in CAD 000's)	
Name	Disputed Claim Amount (\$)
Employee Claimant 1	\$ 203
Employee Claimant 2	118
Employee Claimant 3	85
Employee Claimant 4	20
	<u>\$ 426</u>

- 5.24 On July 9, 2021, the Monitor issued letters in response to NODs submitted by seven Employee Claimants, which letters: (i) restated the Monitor’s reasons for maintaining its position in respect of the allowed claim amounts; and (ii) requested that the Employee Claimants withdraw their NODs by July 16, 2021. As at the date of this Ninth Report, the Monitor has received responses from three Employee Claimants withdrawing their NODs, but has not received any response from the following four Employee Claimants.

Employee Claimant 1

- 5.25 Employee Claimant 1 is subject to a disputed claim amount totaling approximately \$203,000, which consists of a claim for 52 weeks of common law entitlement, additional benefits and vacation entitlement, and maternity leave top-up for a period subsequent to their termination.
- 5.26 The Monitor, in consultation with its legal counsel, has disallowed the disputed claim amount and has allowed an unsecured claim amount of approximately \$85,000.

Employee Claimant 2

- 5.27 Employee Claimant 2 is subject to a disputed claim amount totaling approximately \$118,000, which primarily represents Employee Claimant 2 asserting eligibility for common law entitlement and damages relating to a BC Human Rights Tribunal complaint for wrongful dismissal.
- 5.28 The Monitor, in consultation with its legal counsel, has disallowed the disputed claim amount in its entirety and has allowed an unsecured claim amount of approximately \$8,000.

Employee Claimant 3

- 5.29 Employee Claimant 3 is subject to a disputed claim amount totaling approximately \$85,000, which primarily represents Employee Claimant 3 asserting additional amounts for punitive and aggravated damages of \$25,000 and entitlement to higher weekly wages and RRSP contributions.
- 5.30 The Monitor, in consultation with its legal counsel, has disallowed the disputed claim amount and has allowed an unsecured claim amount of approximately \$56,000.

Employee Claimant 4

- 5.31 Employee Claimant 4 is subject to a disputed claim amount totaling approximately \$20,000, which consists of a claim to common law entitlement.
- 5.32 The Monitor, in consultation with its legal counsel, maintains that the employment contract limits Employee Claimant 4 to the minimum statutory entitlements outlined in the *Employment Standards Code of Alberta* and has therefore: (i) disallowed the disputed claim amount in its entirety; and (ii) has allowed an unsecured claim in the amount of approximately \$4,000.

Trade and Other Creditors

- 5.33 At present, there are six Disputed Claims from trade creditors totaling \$3.6 million, which are summarized in the table below:

1077 Holdings Co-operative and 1314625 Ontario Limited
Summary of Disputed Trade and Other Claims
as at September 15, 2021
(in CAD 000's)

Name	Disputed Claim Amount (\$)
Sarah Coristine, Tristan Justin Jaxon Coristine-Sears, Vivian Victoria Jessica Coristine-Sears and Kaitlyn Emily Coristine-Anderson (together, the "Coristines") (*)	\$ 2,450
Salesforce.com Canada Corporation	853
Claimant A	280
	\$ 3,583

() The Coristines' disputed claim amount is the aggregate of four separate claims, which have been combined due to each being a party in the same litigation proceedings.*

The Coristines

- 5.34 Sarah Coristine, Tristan Justin Jaxon Coristine-Sears, Vivian Victoria Jessica Coristine-Sears, and Kaitlyn Emily Coristine-Anderson (together, the "**Coristines**") are parties subject to litigation proceedings (the "**Litigation Proceedings**") brought against the Petitioners and have an aggregate disputed claim value in the amount of \$2.45 million. The Monitor, in consultation with its legal counsel, has disallowed the disputed claim of \$2.45 million in its entirety on the basis that the Coristines' claims are for ongoing Litigation Proceedings for which the Petitioners have adequate insurance coverage under the Petitioners' general and excess liability policies (the "**Insurance Policy**").
- 5.35 The Monitor's legal counsel has been in discussions with the Coristines' legal counsel regarding the Monitor's proposed responses to the NODs, the components of which include the Monitor consenting to lift the stay of proceedings to allow the Litigation Proceedings to continue on the condition that the Coristines withdraw their NODs from the Claims Process.
- 5.36 The Monitor, in consultation with its legal counsel, maintains its position that if the Petitioners are found liable for any losses, the Coristines' disputed claim is to be satisfied by the Insurance Policy. In the Monitor's view, the Coristines' claim is therefore an Insured Claim (as that term is defined in the Claims Process Order) and is therefore not a Claim. Accordingly, and in the Monitor's view, if the Coristines do not withdraw their claim, it is to be adjudicated pursuant to the Claims Process Order.

Salesforce.com Canada Corporation

- 5.37 Salesforce.com Canada Corporation (“**Salesforce**”) submitted a Claim of \$853,000. Salesforce had previously provided technology services under contract (the “**Salesforce Contract**”) to the Petitioners which was assumed by the Purchaser pursuant to the APA. The Purchaser’s in-house legal counsel has advised the Monitor that the Purchaser and Salesforce are in alignment that the Salesforce Contract has been assigned to the Purchaser; however, as at the date of this Ninth Report, Salesforce has not confirmed withdrawal of its Claim. Should the claim cause delays to the administration of the Claims Process as a result of Salesforce failing to withdraw its Claim in a reasonable time frame, the Monitor intends to refer the disputed Claim to Court for resolution.
- 5.38 However, the Monitor understands that discussions between the Purchaser and Salesforce are ongoing and the parties have made substantial progress towards a resolution.

Claimant A

- 5.39 Claimant A, a former employee of the Petitioners, is subject to a disputed claim totaling \$280,000, which has been disallowed in its entirety by the Monitor, in consultation with its legal counsel. The amount of this disputed Claim is equal to the damages sought in legal proceedings commenced by Claimant A on March 23, 2020, in which Claimant A alleges their employment was terminated by the Petitioners without just cause. This proceeding is subject to the stay of proceedings provided for in the ARIO.
- 5.40 On June 18, 2021, this disputed Claim was referred to the Claims Officer. The Claims Officer has subsequently advised the Monitor that an agreed statement of facts is being prepared by Claimant A’s legal counsel, with an expected delivery around the end of October 2021.

Summary

- 5.41 In summary, the Monitor, in consultation with its legal counsel, continues to negotiate with the above noted Claimants in an effort to reach settlement of the Disputed Claims, where possible. The Monitor is encouraged by the ongoing negotiations with the respective landlords and is optimistic that a number of the Landlord Claims will be settled or resolved without the need for adjudication by the Court and/or Claims Officer.
- 5.42 In order to minimize costs to the estate and expedite a distribution to the Claimants that have Accepted Claims, it is reasonably expected that up to 11 Disputed Claims, possibly comprised of one landlord claim, four Employee Claims, and six trade and other claims, may be referred to the Court and/or Claims Officer for adjudication in the near term.

6.0 ACTUAL CASH FLOW RESULTS COMPARED TO FIFTH CASH FLOW FORECAST

6.1 Consistent with the ongoing oversight and monitoring of the business and financial affairs of the Petitioners, the Monitor has established a weekly cash flow review protocol to compare actual cash flows against the Fifth Cash Flow Forecast.

6.2 The Petitioners' actual cash receipts and disbursements compared to the Fifth Cash Flow Forecast during the period from September 15, 2020 to September 10, 2021 is summarized in the table below:

1077 Holdings Co-operative and 1314625 Ontario Limited Cash Flow Variance Analysis For the period September 15, 2020 to September 10, 2021 (in CAD 000's)			
	For the 52 Weeks Ended September 10, 2021		
	Actual	Forecast	Variance
Receipts			
Sales	\$ 41,176	\$ 41,176	\$ -
Canada Emergency Wage and Rent Subsidy	8,628	8,628	-
Other receipts and letters of credit	3,756	3,698	58
GST refunds	-	140	(140)
Return of deposits	(516)	(500)	(16)
Total receipts	53,045	53,142	(98)
Disbursements			
Merchandise and/or vendor prepayments	33,507	33,507	-
Freight and other non-merchandise	3,142	3,142	-
Wages and salary	11,377	11,377	-
SG&A	3,194	3,299	105
Insurance	145	195	50
Property taxes and other property liabilities	4,498	4,525	27
Statutory obligations	3,592	3,754	162
Consultants	63	65	2
Total disbursements	59,517	59,863	346
	(6,473)	(6,721)	248
Other disbursements			
KERP payments	778	778	-
Professional fees	4,748	5,103	355
Debt service	987	987	-
Contingency	574	634	60
Total other disbursements	(7,087)	(7,502)	415
Net proceeds from Sale Transaction (*)	30,411	30,411	-
Net Cash Flow	\$ 16,852	\$ 16,189	\$ 663
Opening Cash Balance	\$ 14,188	\$ 14,188	\$ -
Net Cash Flow	16,852	16,189	663
Ending Cash Balance	\$ 31,040	\$ 30,377	\$ 663
* Net proceeds from the Sale Transaction are presented net of secured debt due to the Royal Bank of Canada which was repaid on the Closing Date.			

6.3 As at September 10, 2021, the closing cash balance held in trust by the Monitor totaled \$31.0 million. Certain variances in respect of the reported cash receipts and disbursements are as follows:

- a) total operating receipts were approximately \$98,000 lower than forecast primarily due to delays in receiving post-filing GST refunds that are currently under review by the CRA; and
- b) total operating disbursements were approximately \$761,000 lower than forecast, primarily due to timing differences in respect of general and administrative costs, statutory obligations, and professional fees.

6.4 Since the Eighth Report, the Monitor has continued to review the cash receipts and disbursements of the Petitioners and perform weekly variance reporting and approval of disbursements. Nothing has come to the attention of the Monitor that causes the Monitor to believe that there have been material adverse changes in the cash flow of the Petitioners or that would financially prejudice the stakeholders of the Petitioners.

7.0 UPDATED CASH FLOW FORECAST

7.1 The Sixth Cash Flow Forecast has been prepared by the Monitor for the period from September 11, 2021 to December 10, 2021 (the “**Forecast Period**”). The Sixth Cash Flow Forecast is attached herewith as Appendix “A” along with accompanying notes and assumptions. A summary of the Sixth Cash Flow Forecast is tabled below:

1077 Holdings Co-operative and 1314625 Ontario Limited
Sixth Cash Flow Forecast
For the 13 week period ending on December 10, 2021
(in CAD 000's)

	<u>Forecast Period</u>
Receipts	
GST refunds	\$ 157
Other receipts	21
Return of deposits	<u>(40)</u>
Total receipts	138
Disbursements	
General and administrative	181
Property taxes and other property liabilities	27
Statutory obligations	<u>172</u>
Total disbursements	380
	(242)
Other disbursements	
Professional fees	450
Contingency	<u>45</u>
Total other disbursements	(495)
Net cash flow	\$ (737)
Opening cash balance (*)	\$ 31,040
Net cash flow	<u>(737)</u>
Ending cash balance	\$ 30,303

() Of the cash held in trust by the Monitor, \$26.5 million is invested in guaranteed investments certificates issued by a Canadian chartered bank.*

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

- a) forecast of receipts consist of the following:
 - i. estimated GST refunds of approximately \$157,000 relate to post-filing period expenses;
 - ii. other receipts of approximately \$21,000 relate to an expected insurance refund;
 - iii. return of deposits of approximately \$40,000 for funds received in error in the Petitioners' bank accounts subsequent to the Closing Date, which may be returned to the Purchaser subject to final review and reconciliation of the amounts;
- b) forecast disbursements totaling \$875,000 consist of the following:
 - i. general and administrative costs of approximately \$181,000 related to estimated costs for storage and destruction of electronic and physical records, and fees for engaging KPMG LLP to prepare corporate tax returns and assist with recovery of trade and customs levies from CBSA;

- ii. property liabilities approximating \$27,000 in connection with unpaid post-filing rent amounts due to the landlord of a disclaimed realty lease. The Monitor is awaiting reconciliation from the landlord in respect of the outstanding amounts;
- iii. statutory obligations of approximately \$172,000 comprised of \$162,000 relating to British Columbia Employer Health Taxes estimated for the period September 15, 2020 to December 31, 2020. The Monitor has been corresponding with the Ministry of Finance to reconcile these amounts, as well as approximately \$10,000 related to payroll withholdings discrepancies for the year 2019 which is currently being reviewed by the Monitor; and
- iv. professional fees of approximately \$450,000 for services provided by the Monitor and its legal counsel, and fees of the Claims Officer.

7.3 At present, the Monitor anticipates it will be holding approximately \$30.3 million at the end of the Forecast Period that will ultimately be made available to unsecured creditors once the outstanding Disputed Claims have been settled. The Monitor anticipates a substantial recovery to the Claimants and Employee Claimants that have proven their Claim in the Claims Process.

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

8.0 STAY EXTENSION

8.1 Pursuant to the Stay Extension Order, the Stay Period will expire on September 28, 2021. The Monitor is seeking an extension of the Stay Period to December 10, 2021.

8.2 The Monitor believes this extension is reasonable for the following reasons:

- a) during the proposed extension of the Stay Period, the Monitor will have an opportunity to:
 - i. refer and assist with the resolution of the Disputed Claims, determine and if possible, make a distribution to affected creditors, and/or prepare a potential plan of compromise and/or arrangement which may be presented to the creditors and stakeholders of the Petitioners; and
 - ii. attend to any remaining activities relating to the wind-down of the Petitioners' operations and business;
- b) the Sixth Cash Flow Forecast indicates that there is sufficient liquidity to continue operating during the requested extension of the Stay Period; and

- c) no creditor or any stakeholders of the Petitioners would be materially prejudiced by the extension of the Stay Period.

9.0 RECOMMENDATIONS

- 9.1 The Monitor respectfully recommends that this Honourable Court grant an order approving an extension of the Stay Period through to December 10, 2021.

All of which is respectfully submitted to this Honourable Court this 21st day of September, 2021.

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



Todd M. Martin
Senior Vice President



Vicki Chan
Vice President

Appendix A
Sixth Cash Flow Forecast

1077 Holdings Co-operative and 131465 Ontario Limited
Sixth Cash Flow Forecast (Note 1)
For the 13 week period ending on December 10, 2021
(Unaudited, in 000s CAD)

Week Week Ending	Notes	Week 1 Sep 19	Week 2 Sep 26	Week 3 Oct 3	Week 4 Oct 10	Week 5 Oct 17	Week 6 Oct 24	Week 7 Oct 31	Week 8 Nov 7	Week 9 Nov 14	Week 10 Nov 21	Week 11 Nov 28	Week 12 Dec 5	Week 13 Dec 10	13 Week Total
Receipts															
GST refunds	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 157	\$ -	\$ 157
Other receipts	3	-	-	21	-	-	-	-	-	-	-	-	-	-	21
Return of deposits	4	-	-	-	-	-	-	(40)	-	-	-	-	-	-	(40)
Total receipts		-	-	21	-	-	-	(40)	-	-	-	-	157	-	138
Disbursements															
General and administrative	5	0	-	3	-	0	-	17	27	0	-	50	83	0	181
Property taxes and other property liabilities	6	-	-	-	-	-	-	-	-	-	-	-	27	-	27
Statutory obligations	7	-	-	-	-	10	-	162	-	-	-	-	-	-	172
Total disbursements		0	-	3	-	10	-	179	27	0	-	50	110	0	380
		(0)	-	18	-	(10)	-	(219)	(27)	(0)	-	(50)	47	(0)	(242)
Other disbursements															
Professional fees	8	-	139	-	-	-	125	-	-	-	105	-	-	81	450
Contingency	9	-	-	-	15	-	-	-	15	-	-	-	15	-	45
Total other disbursements		-	(139)	-	(15)	-	(125)	-	(15)	-	(105)	-	(15)	(81)	(495)
Net cash flow		\$ (0)	\$ (139)	\$ 18	\$ (15)	\$ (10)	\$ (125)	\$ (219)	\$ (42)	\$ (0)	\$ (105)	\$ (50)	\$ 32	\$ (81)	\$ (737)
Opening cash balance		\$ 31,040	\$ 31,040	\$ 30,901	\$ 30,919	\$ 30,904	\$ 30,894	\$ 30,769	\$ 30,550	\$ 30,508	\$ 30,507	\$ 30,402	\$ 30,352	\$ 30,384	\$ 31,040
Net cash flow		(0)	(139)	18	(15)	(10)	(125)	(219)	(42)	(0)	(105)	(50)	32	(81)	(737)
Ending cash balance		\$ 31,040	\$ 30,901	\$ 30,919	\$ 30,904	\$ 30,894	\$ 30,769	\$ 30,550	\$ 30,508	\$ 30,507	\$ 30,402	\$ 30,352	\$ 30,384	\$ 30,303	\$ 30,303

1077 Holdings Co-operative and 131465 Ontario Limited

Sixth Cash Flow Forecast

Notes and Assumptions

- 1 The weekly cash flow forecast of 1077 Holdings Co-operative and 1314625 Ontario Limited (collectively, "1077") for the period September 19 to December 10, 2021 has been prepared by the Monitor to set out the cash flow of 1077 (the "Sixth Cash Flow Forecast").

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

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

- 2 GST refunds relate to post-filing expenses incurred during the pendency of the CCAA Proceedings.
- 3 Other receipts relate to an expected insurance refund.
- 4 Return of deposits received by the Monitor subsequent to the Closing Date that relate to accounts receivable that may be for the account of the Purchaser, subject to review of supporting documentation provided by the Purchaser.
- 5 General and administrative costs include payment for storage and future staged destruction of electronic and physical records as well as professional fees for investigating the potential recovery of trade and customs levies applied to certain goods by the the Canada Border and Services Agency.
- 6 Property taxes and other property liabilities include rent for the post-filing occupancy period related to a disclaimed realty lease of a retail store location. The Monitor is awaiting reconciliation of the post-filing liability from the landlord.
- 7 Statutory obligations include estimates for the British Columbia Employer Health Tax for the post-filing period from September 15, 2020 to December 31, 2020 for which the Monitor is awaiting confirmation of amounts owing and a statement of account from the Ministry of Finance, as well as 2019 payroll withholdings deficiencies that may be payable, subject to the Monitor's review and reconciliation.
- 8 Professional fees are estimates of the professional services expected to be provided during the CCAA Proceedings and include fees for the Monitor and its legal counsel and the potential fees of the Claims Officer.
- 9 Contingency costs are included to account for any unexpected expenses and represent 5% of disbursements.