

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 **SEVENTH REPORT OF THE MONITOR**

JUNE 30, 2020

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

MONITOR
ALVAREZ & MARSAL CANADA INC.
Bow Valley Square IV
Suite 1110, 250 - 6th Avenue SW
Calgary, Alberta T2P 3H7
Attention: Orest Konowalchuk / Chad Artem
Telephone: (403) 538-4736 / (403) 538 7518
Email: okonowalchuk@alvarezandmarsal.com / cartem@alvarezandmarsal.com

COUNSEL
MLT Aikins LLP
1500, 410 – 22nd Street E.
Saskatoon, Saskatchewan S7K 5T6
Attention: Jeff M. Lee / Ryan Zahara
Phone: (306) 975-7136 / (403) 693-5420
Fax: (306) 975-7145
Email: jmlee@mltaikins.com
rzahara@mltaikins.com

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**”) 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 (the “**Second Stay Extension**”), a claims process order (the “**Claims Procedure Order**”), a sales and investment solicitation process order (the “**SISP Order**”) and an interim lender’s charge (the “**DIP Charge**”).
5. On February 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.

6. On March 6, 2020, the Court granted a sale approval and vesting order (the “**Auction SAVO**”) authorizing the sale of certain redundant assets of MSS located in Virden, Manitoba to Ritchie Bros Auctioneers (Canada) Ltd. (“**Ritchie Bros.**”) to be included in their upcoming auction on March 31, 2020.
7. On March 27, 2020, the Court granted an Order providing for, among other things, approval of the Monitor’s activities and proposed courses of action, approval of the fees of the Monitor and its legal counsel, an extension of the stay of proceedings to May 8, 2020 in order to allow further time for the execution of the SISP, and an increase in the interim financing borrowing limit from \$5.7 million to \$6.5 million (and corresponding request for an increase to the amount of the DIP Charge).
8. On April 8, 2020, the Court granted a partial amendment (the “**First SISP Amendment**”) to the SISP to permit additional time for the Monitor to seek approval from the Court of a potential transaction to no later than April 24, 2020. On April 24, 2020, the Court granted an additional SISP amendment (the “**Second SISP Amendment**”) providing the Monitor with decision-making power in respect of the timing of the assessment and identification of the successful final bidder pursuant to the SISP (prior to court approval of an offer from any such bidder).
9. On May 8, 2020, the Court granted an extension of the stay of proceedings to May 29, 2020, to allow the Monitor to continue its various cost saving measures, to increase sales opportunities and to evaluate the timing required by the Company to complete a restructuring or to implement a potential sale transaction (whether through a SISP or through other means).
10. On May 26, 2020, the Court granted an additional extension of the stay of proceedings to July 3, 2020, to allow the Monitor to continue its efforts to negotiate an agreement for the sale of all or substantially all of the assets of the Morris Group (excluding MSS) to Superior Farms Solutions Limited Partnership (“**SFLP**”) (on terms consistent with the executed SFLP LOI) in order to maximize value.

11. 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

12. The purpose of this seventh report (the “**Seventh Report**”) is to provide this Court with information respecting the following:
 - a) activities of the Monitor since the Sixth Report dated May 26, 2020;
 - b) a brief update on the Morris Group’s business and financial affairs;
 - c) an update on the SISP, including the Monitor’s ongoing negotiation of an asset purchase agreement (“**APA**”) with SFLP, which had previously signed a nonbinding letter of intent (“**SFLP LOI**”) as previously discussed in the Sixth Report of the Monitor;
 - d) a comparison of the Morris Group’s actual cash receipts and disbursements to the cash flow forecast appended to the Sixth Report of the Monitor (the Fifth Cash Flow Forecast) for the period May 23, 2020 to June 26, 2020;
 - e) the Applicants’ updated cash flow forecast from June 29, 2020 through to July 31, 2020 (the “**Revised Forecast Period**”);
 - f) the request for approval of the professional fees and costs of the Monitor and its legal counsel;
 - g) the request for approval of the Monitor’s actions and activities as described in this Report; and
 - h) the request for a further extension of the Stay of Proceedings to July 31, 2020.

13. Capitalized words or terms not defined in this Report are as defined in the Initial Order, the Amended and Restated Initial Order, other orders of this Honourable Court and the prior reports (the “**Prior Reports**”) the Monitor, as the case may be.
14. All references in this Report to dollars are in Canadian currency.

TERMS OF REFERENCE AND DISCLAIMER

15. 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.
16. 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.

17. 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

18. Since the Sixth Report, the Monitor's activities have included (but not been limited to):
 - a) conducting ongoing discussions, meetings and communications with Management, employees and advisors of the Companies regarding the Companies' business and financial affairs;
 - b) ongoing communications with the Companies' key stakeholders and secured creditors and their respective legal counsel, including the continuing involvement of the Monitor's independent legal counsel, MLT Aikins LLP ("MLTA");
 - c) extensive communications with the Morris Group's significant customer (dealer) located in Australia and various key dealers in Western Canada and the U.S.;

- d) assisting the Companies in bolstering their sales efforts in selling parts and tools to Morris' customers and, thereby, increasing revenue collections during the Reporting Period;
- e) organizing and administering a comprehensive inventory count of all inventory located in Morris' two facilities located in Yorkton, Saskatchewan and Minnedosa, Manitoba;
- f) collection of outstanding accounts receivables from the Morris dealers, including the collection of a significant portion of the outstanding foreign receivable during the Reporting Period;
- g) monitoring the Companies' response to COVID-19 and other operational matters of the Companies during the proceedings;
- h) assisting the Companies in applying for and receiving funds available under the Canadian Employee Wage Subsidy ("CEWS") program;
- i) exclusive discussions and negotiations with SFLP respecting entering into and finalizing the LOI into binding Asset Purchase Agreements ("APA's"), as further described below; and
- j) communicating with a representative of the Union certified to represent employees at the Company's production facility in Yorkton, Saskatchewan. The Company is a party to a collective bargaining agreement ("CBA") with the Retail Wholesale & Department Store Union, Local 955 in regard to its Yorkton production facility.

OPERATIONAL UPDATE SINCE THE SIXTH REPORT

19. Existing senior management and key employees of the Morris Group have remained substantially intact and engaged during the CCAA Proceedings. Weekly meetings with senior management and bi-weekly meetings with staff across the entire Morris Group continue to occur, thereby ensuring that all employees of

Morris are following the various policies and orders issued by Morris and various governments, respectively, relating to COVID-19.

20. In addition, since the date of the Sixth Report:
- a) the Companies, with the assistance of the Monitor, have now wound down the operations of MSS;
 - b) the Companies have continued to sell manufactured whole goods and parts inventory to dealers in the normal course, receiving assistance from assembly depots as required and continuing to actively pursue the collection of their accounts receivable. As at May 31, 2020, the Companies maintained approximately \$3.7 million of trade accounts receivable due from various dealers across Canada, the U.S. and Eastern Europe (excluding Australia);
 - c) the Companies have issued to their long-standing client, a dealer located in Australia (the “**Australian Dealer**”), approximately \$12.0 million of invoices for products shipped by Morris Group to the Australian Dealer over the past twelve months. The Companies have been able to collect approximately \$5.0 million of this \$12.0 million and the remaining portion is expected to be collected in short order. The Company continues to work with the Australian Dealer with respect to fulfilling upcoming forecast orders and arranging for procurement of parts; and
 - d) the Company, by and through the Monitor and its legal counsel, continued to host multiple communications with Bank of Montreal (“**BMO**”) and Farm Credit Canada (“**FCC**”), with respect to the CCAA Proceedings and the status of the SISF. The Company continues to report to BMO, as the DIP Lender, in accordance with the DIP Facility agreement, including bi-weekly cash flow reporting along with margin

reports. The Monitor assisted the Company in the preparation of this cash flow reporting to BMO.

UPDATE ON THE SISP

21. As disclosed in the Sixth Report, on May 22, 2020, as a result of extensive negotiations and multiple communications, the Monitor, with the support of BMO, executed a non-binding letter of intent for a proposed sale transaction (the “**SFLP LOI**”) with Superior Farms Solutions Limited Partnership and its general partner, Rite Way Mfg. Co. Ltd. (“**Rite Way**”) (collectively referred to as “**SFLP**”).
22. The Monitor and SFLP have reached agreement on the terms of two proposed APA’s, which are scheduled to be presented by SFLP for board approval at a meeting on June 30, 2020. The Monitor anticipates that once board approval is received, the Monitor and SFLP will sign the APA’s and the Monitor will seek to file with this Court copies of the APA’s on a sealed basis, pursuant to Court Order. Thereafter, the Monitor anticipates applying to this Court on a suitable date in mid-July of 2020 for a Sale Approval and Vesting Order regarding the transactions contemplated in the APA’s.

CASH FLOW RESULTS

23. The Company’s actual cash receipts and disbursements compared to the Fourth Cash Flow Forecast for the period from May 23, 2020 to June 26, 2020 (the “**Reporting Period**”), appended to the Fifth Report of the Monitor are summarized below:

MORRIS GROUP
Cash Flow Variance Analysis
For the Period May 23, 2020 to June 26, 2020
(In CAD \$000s)

	Jan. 8 to	May 23 to June 26, 2020		
	Jun. 26, 2020	Actual	Forecast	Var (\$)
Receipts				
Whole goods collections	2,344	755	823	(68)
Parts collections	2,513	798	1,060	(262)
Sale of excess inventory	1,601	48	119	(71)
Canada Emergency Wage Subsidy receipts	862	862	-	862
Other collections	106	24	20	4
Total receipts	7,426	2,487	2,022	466
Disbursements				
Production costs	1,206	384	430	46
Operating expenses	1,290	236	168	(68)
Critical Suppliers	252	-	-	-
Wind down of MSS	62	9	6	(3)
Insurance costs	462	71	79	8
Payroll and related	3,792	1,001	965	(36)
Pension	376	71	62	(9)
Marketing costs	50	-	-	-
Rent	309	54	54	-
Other operating costs	575	113	189	77
DIP interest, fees and costs	463	60	114	54
PMSI priority payments	-	-	254	254
Professional fees and costs	2,700	508	505	(3)
Other Expenses	14	-	-	-
Total disbursements	11,552	2,506	2,827	321
Net cash flow from operations	(4,126)	(19)	(805)	786
DIP draws (repayments)	4,126	19	805	786
Net cash flow from financing	4,126	19	805	786
Net cash flow	\$ -	\$ -	\$ -	\$ -
Interim Financing (DIP Facility)				
Maximum Available DIP	\$ 6,500	\$ 6,500	\$ 6,500	
Opening Drawn Balance	\$ 1,243	\$ 5,350	\$ 5,350	\$ -
Draws (Repayments)	4,126	19	805	786
Ending DIP Balance (Cash)	5,368	5,368	6,155	787
DIP Availability during the Period	\$ 1,132	\$ 1,132	\$ 345	\$ 787
EDC Insured Foreign Receivable				
Opening Cash Balance	\$ -	\$ -	\$ -	\$ -
Collections	4,983	4,983	11,323	(6,340)
Endng Cash Balance	\$ 4,983	\$ 4,983	\$ 11,323	\$ (6,340)

24. Over the Reporting Period, the Company experienced a favorable cash flow variance of approximately \$786,000 as a result of various permanent and temporary differences, most notably:

- a) Whole goods and parts collections were collectively \$330,000 lower than forecast due in part to permanent and temporary differences with respect to timing of collections;
- b) Canada Emergency Wage Subsidy receipts were \$862,000 higher than forecast as they were not included in the Fifth Cash Flow Forecast in the interest of presenting a conservative financial forecast;
- c) EDC insured foreign receivable collection is \$6.3 million lower than forecast due to timing differences. Further collections are anticipated during the forecast period in the Sixth Cash Flow Forecast (defined below);
- d) Production costs were \$46,000 lower than forecast due to both timing and permanent differences;
- e) Operating expenses were \$68,000 higher than forecast due to higher costs of freight and other expenses;
- f) Payroll and related costs were approximately \$36,000 higher than forecast due to increased staffing required to increase production activity and complete due diligence matters including inventory count procedures;
- g) DIP interest, fees and costs are \$54,000 lower than forecast due to timing differences; and
- h) Purchase money security interest (“PMSI”) priority payments are \$254,000 lower than forecast due to timing differences and pending review of the relevant security.

UPDATED CASH FLOW FORECAST

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

MORRIS GROUP 5 Week Cash Flow Forecast For the Period June 29, 2020 to July 31, 2020 <i>(in CAD \$000s)</i>	
Receipts	
Whole goods collections	\$ 373
Parts collections	549
Sale of excess inventory	44
Canada Emergency Wage Subsidy receipts	285
Total Receipts	\$ 1,251
Disbursements	
Production costs	575
Operating expenses	140
Insurance costs	114
Payroll and related	595
Pension	180
Rent	107
Other operating costs	191
DIP interest, fees and costs	64
PMSI priority payments	254
Professional fees and costs	271
Total Operating Disbursements	\$ 2,492
Net Cash Flow	\$ (1,241)
EDC Insured Foreign Receivables Collections	
Accounts receivable previously collected	\$ 4,983
Forecast collections	2,702
Forecast net cash flow per above	(1,241)
Ending cash available	\$ 6,445
Interim Financing Availability (Max)	
Opening drawn balance	5,368
DIP draws (repayments)	-
Ending drawn balance	\$ 5,368
Net Interim Financing Availability	\$ 1,132

26. By the end of Forecast Period, the ending cash available is projected to be \$6.5 million, which will allow the Company the option to repay the existing DIP loan drawn of approximately \$5.4 million. Accordingly, it is estimated that the remaining interim financing availability will be approximately \$1.1 million

primarily based on further collections of the EDC insured foreign accounts receivable, collecting receipts from confirmed whole goods orders and forecast parts sales, and receiving additional cash receipts from the CEWS program, offset by forecast operating costs and other costs of the proceedings during the Forecast Period.

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

- a) Whole goods and parts collections total approximately \$922,000 of which \$373,000 relate to whole goods orders and \$549,000 relate to forecast parts sales and collections. The forecast parts collections reflect collection of the end of the seeding season sales and are consistent with historical performance;
- b) Sale of excess inventory include the balance of collections expected from the return of unused third-party branded equipment (MSS inventory) to the original manufacturer as discussed in Prior Reports;
- c) Canada Emergency Wage Subsidy ("CEWS") receipts have been received by the Company in June 2020 following three applications for relief respectively associated with each of the CEWS application periods. It is estimated that a fourth application for CEWS will be made and received in mid-July 2020 consistent with the timelines provided by the Government of Canada.
- d) Disbursements include payments in the ordinary course within the CCAA proceedings and on normal payment terms;
- e) Professional fees and disbursements of the Monitor and its counsel for unpaid fees and costs for June 2020 are anticipated to be invoiced and paid in the ordinary course;

- 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; and
 - g) EDC insured foreign receivable collections are anticipated to be collected over the Forecast Period. This payment represents a portion of the amount outstanding expected to be collected in the Sixth Cash Flow Forecast.
28. The Sixth 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 Sixth 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 Seventh Report or relied upon by the Monitor in preparing this Seventh Report.

APPROVAL OF FEES AND EXPENSES

29. As previously reported, pursuant to paragraphs 31 to 32, inclusive, of the Amended and Restated Initial Order, the Monitor sought and received approvals 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 April 30, 2020.
30. The Monitor seeks further approval from this Honourable Court of the respective professional fees and disbursements of the Monitor and its legal counsel for the period of time from May 1, 2020 to May 31, 2020.
31. Professional fees and disbursements rendered by the Monitor, from May 1, 2020 to May 31, 2020, total \$239,250.44 (exclusive of GST) (the “**Monitor’s Fees and Costs**”). These fees include those of the Monitor and its affiliated company, Alvarez & Marsal Canada Securities ULC, totaling \$47,800, with corresponding

additional expenses incurred and made on behalf of the Company totalling \$360.44. The accounts will be made available upon request and are summarized in Appendix B to this Report.

32. Professional fees and disbursements rendered by MLT Aikins LLP, the Monitor's counsel, from May 1, 2020 to May 31, 2020, total \$95,658.08 (exclusive of GST and PST) (the "**Monitor's Counsel Fees and Costs**"). The accounts will be made available upon request and are summarized in Appendix B to this Report.
33. 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.
34. 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 May 31, 2020. These payments are reflected in the actual cash flow receipts and disbursements discussed above.
35. 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) the SISP, (ii) the Claims Process Order and; (iii) the exercise of the enhanced powers of the Monitor required to be performed pursuant to the EMP Order.
36. The Monitor and its legal counsel anticipate rendering invoices for their respective fees and disbursements for services rendered in June of 2020 in short order. These professional fees and disbursements are contemplated in the Sixth Cash Flow Forecast. 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

37. Pursuant to the Initial Order (as extended by subsequent Orders of the Court), the stay period is set to expire on July 3, 2020. As described in the application materials filed on Tuesday June 30, 2020, the Companies are seeking an Order granting an extension of the stay period from July 3, 2020 to July 31, 2020 (the “**Fourth Stay Extension Order**”).
38. The Monitor has considered various factors in regard to the Morris Group’s application for the Fourth Stay Extension Order to July 31, 2020, including:
- a) the likelihood and timing of the Company closing the transaction contemplated with SFLP (subject to execution and further satisfaction of conditions included in the APA’s and subject to Court approval);
 - b) whether there would be any material financial prejudice to any of the Morris Group’s creditors;
 - c) the fact that the Company appears to have sufficient liquidity over the Forecast Period;
 - d) the level of support for such an extension communicated by the Morris Group’s primary secured creditors;
 - e) whether the Morris Group is acting in good faith and with due diligence; and
 - f) whether the Morris Group’s prospects of effecting a viable restructuring would be enhanced by an extension of the Stay of Proceedings.
39. The Monitor is of the view that the Morris Group is (and has been) acting in good faith and with due diligence and that there would not be material prejudice to the Morris Group’s stakeholders should the proposed stay extension to July 31, 2020 be granted by this Honourable Court.

40. The Monitor will continue to work with SFLP in order to execute and implement the APA's and to satisfy the conditions to closing contemplated in the APA's. Final approval of the transactions contemplated in the APA's will be sought from this Honourable Court on a suitable date in mid-July of 2020.
41. The continued support of the Company's primary secured lenders and access to the DIP Facility will be critical to enable the Monitor to satisfy the conditions to close the SFLP Transaction and to continue to operate the ongoing Morris business.

MONITOR'S RECOMMENDATION

42. The Monitor respectfully recommends that this Honourable Court grant the following:
 - a) the proposed Fourth Stay Extension Order from July 3 to July 31, 2020;
 - b) an order approving the fees and disbursements of the Monitor and its legal counsel for the period of time from May 1 to May 31, 2020; and
 - c) an Order approving the Monitor's actions, activities and conduct as described in this Seventh Report.

All of which is respectfully submitted to this Honourable Court this 30th day of June, 2020.

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



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



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

Appendix A

Sixth Cash Flow Forecast

MORRIS GROUP
5 Week Cash Flow Forecast
For the Period June 29, 2020 to July 31, 2020
(in CAD \$000s)

Week ended	<i>Notes</i>	Week 1 3-Jul-20	Week 2 10-Jul-20	Week 3 17-Jul-20	Week 4 24-Jul-20	Week 5 31-Jul-20	Week 1 to 13 Total
Receipts							
Whole goods collections	1	230	111	31	-	-	\$ 373
Parts collections	2	102	102	131	102	113	549
Sale of excess inventory	3	-	-	8	36	-	44
Canada Emergency Wage Subsidy receipts	4	-	-	285	-	-	285
Total Receipts		332	212	455	138	113	1,251
Disbursements							
Production costs	5	154	105	105	105	105	575
Operating expenses	6	31	11	5	64	30	140
Insurance costs	7	49	-	-	16	49	114
Payroll and related	8	-	310	-	285	-	595
Pension	8	90	-	-	-	90	180
Rent	9	54	-	-	-	54	107
Other operating costs	10	61	62	11	10	47	191
DIP interest, fees and costs	11	59	-	5	-	-	64
PMSI priority payments	12	-	-	-	-	254	254
Professional fees and costs	13	1	270	-	-	-	271
Total Operating Disbursements		498	758	126	480	629	2,492
Net Cash Flow		\$ (166)	\$ (546)	\$ 329	\$ (342)	\$ (516)	\$ (1,241)
EDC Insured Foreign Receivables Collections							
	14						
Opening cash balance		\$ 4,983	\$ 4,983	\$ 7,686	\$ 7,686	\$ 7,686	\$ 4,983
Forecast collections		-	2,702	-	-	-	2,702
Ending cash balance		\$ 4,983	\$ 7,686	\$ 7,686	\$ 7,686	\$ 7,686	\$ 7,686
Net cash flow		(166)	(546)	329	(342)	(516)	(1,241)
Ending cash available		\$ 4,817	\$ 7,140	\$ 8,015	\$ 7,344	\$ 7,170	\$ 6,445
Interim Financing Availability (Max)							
	11						
Opening balance		\$ 5,368	5,368	5,368	5,368	5,368	5,368
DIP draw (repayments)		-	-	-	-	-	-
Ending balance		\$ 5,368	\$ 5,368	\$ 5,368	\$ 5,368	\$ 5,368	\$ 5,368
Remaining Interim Financing Availability		\$ (551)	\$ 1,772	\$ 2,647	\$ 1,975	\$ 1,801	\$ 1,077

NOTES AND ASSUMPTIONS

5 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 Whole goods collections include previously shipped whole goods products and committed orders not yet shipped. Collections of whole goods are generally predictable and receipts from the remaining sold products are expected to be collected by the end of July 2020.
- 2 Parts collections are starting to decline due to the end of the seeding season. This forecast is based on the latest estimate from the Management of the Parts division.
- 3 Sale of excess inventory consists of estimated net proceeds from the put back of the remaining unused equipment to third party equipment manufacturers.
- 4 Canada Emergency Wage Subsidy ("CEWS") receipts were received in June 2020 following three applications. A fourth application for the CEWS estimated at approximately \$285,000 will be submitted in the coming week with the receipt expected within 12 business days.
- 5 The Morris Group continues to produce primarily parts to service their early order program for dealers across the Morris Group network, however this is nearing the end of its program. The Company has been ramping up their material purchases for an Australian order in order to meet their time-lines.
- 6 Estimated costs associated with ongoing production and operating activities.
- 7 Insurance includes group and corporate insurance policies with scheduled monthly payments.
- 8 Management is continuing to evaluate the potential for targeted reductions in payroll during the CCAA proceedings based on the various restructuring plans being analyzed and evaluated, also taking into account the time-lines and milestones of the SISF. The Work Share program effectively reducing hours to 80% has been extended through to March 27, 2021. Three applications were submitted for government relief under the Canada Emergency Wage Subsidy program in early June 2020 and subsidies have been received.
- 9 Rent includes lease payments for all of Morris' currently occupied 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 DIP Facility, which bears an interest rate of 12%.
- 12 Purchase money security interest relating to two Kubota units and four DLL-financed units sold through the Ritchie Bros. auction that may result in a payouts of security interests, subject to the validity and enforceability of the security.
- 13 Expected professional fees to be incurred by Morris' professional and legal advisors as well as the CCAA Monitor and Monitor's counsel.
- 14 The Australian receivable is expected to be collected. The Australian Dealer paid 65% of the net accounts receivable with the balance to be paid and held in trust by the Monitor's legal counsel and released upon satisfaction of certain terms. Certain accounts receivable reconciliation matters remain pending and may result in additional recoveries totalling approximately \$972,000, which are not included in the forecast period. The EDC insured foreign receivable is presented separately as it is being held in trust by the Monitor's legal counsel until all expected payments have been received and reconciled against the Australian Dealer's records.

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 May 1, 2020 to May 31, 2020

Invoice	Period	Fees	Disbursements	Sub-total	GST	PST	Total
Alvarez & Marsal Canada							
Corporate Restructuring							
6	May1-31/20	191,090.00	360.44	191,450.44	9,572.52	-	201,022.96
		<u>191,090.00</u>	<u>360.44</u>	<u>191,450.44</u>	<u>9,572.52</u>	<u>-</u>	<u>201,022.96</u>
Corporate Finance							
6	May1-31/20	47,800.00	-	47,800.00	2,390.00	-	50,190.00
		<u>47,800.00</u>	<u>-</u>	<u>47,800.00</u>	<u>2,390.00</u>	<u>-</u>	<u>50,190.00</u>
Total							
6	May1-31/20	238,890.00	360.44	239,250.44	11,962.52	-	251,212.96
		<u>\$ 238,890.00</u>	<u>\$ 360.44</u>	<u>\$ 239,250.44</u>	<u>\$ 11,962.52</u>	<u>\$ -</u>	<u>\$ 251,212.96</u>
MLT Aikins LLP							
5	May1-31/20	94,965.50	692.58	95,658.08	4,777.91	5,697.93	106,133.92
		<u>\$ 94,965.50</u>	<u>\$ 692.58</u>	<u>\$ 95,658.08</u>	<u>\$ 4,777.91</u>	<u>\$ 5,697.93</u>	<u>\$ 106,133.92</u>