

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 **THIRTEENTH REPORT OF THE MONITOR**

January 26, 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 “**Sales 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. (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 further below, the contemplated closing date of the SFLP Transaction is now February 15, 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 thirteenth report (the “**Report**” or “**Thirteenth 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 twelfth report dated December 11, 2020 (the “**Twelfth 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 closing the SFLP Transaction contemplated in the Revised APA;
 - d) a comparison of the Morris Group's actual cash receipts and disbursements to the cash flow forecast appended to the Twelfth Report of the Monitor (the "**Eleventh Cash Flow Forecast**") for the period December 7, 2020 to January 17, 2021;
 - e) the Applicants' updated cash flow forecast from January 18, 2021 through to February 28, 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 February 28, 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 Twelfth 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), and providing to the Companies' various dealers;
- 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 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 market;

- 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 with respect to further proposed changes to the closing requirements under the Revised APA with Superior Farms Solutions Limited Partnership, or its nominee (“SFLP”), and its counsel, with comments and involvement from BMO and FCC (as further described below);
- j) entering into two (2) commercial realty sales agreements for the potential sale of the Yorkton and Virden real property and conducting ongoing meetings and communications with the Company’s sales agents and other consultants regarding the sales process;
- k) continuing discussions, due diligence assistance, operational planning and negotiations with SFLP in respect of transitional planning for a significant Australian Dealer order for 2020/2021 and forecast whole goods and parts orders for the North American market; and
- l) holding ongoing discussions with BMO and FCC related to the CCAA Proceedings.

OPERATIONAL UPDATE SINCE THE TWELFTH REPORT

15. Operational activities since the Twelfth 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 \$8.0 million in inventory to the Australian Dealer in accordance with the terms of the

Australian Sales Agreement. Of the \$8.0 million, the Companies have been able to collect approximately \$2.8 million from SFLP and RW Roads from the Australian Sales Agreement. As of January 22, 2021, the Company had shipped substantially all of the whole goods under the Australian Sales Agreement.

- b) As at January 8, 2021, the Companies have approximately \$8.0 million in outstanding and uncollected accounts receivables, which is broken down as follows:
 - i. Approximately \$1.0 million in accounts receivable from various dealers across Canada, the U.S.A. and Eastern Europe (excluding Australia);
 - ii. Approximately \$1.8 million in accounts receivable directly from the Australian Dealer. Of this outstanding balance, the Company expects to collect approximately \$360,000 in January 2021 and \$187,000 in February 2021. The remaining \$1.2 million is expected to be collected between March 2021 and June 2021 pursuant to payment terms with the Australian Dealer; and
 - iii. Approximately \$5.2 million in accounts receivable from SFLP and RW Roads Solutions Limited Partnership (“**RW Roads**”) with respect to the Australian Sales Agreement. Of this outstanding balance, the Company expects to collect approximately \$2.0 million prior to February 28, 2021; and
- c) Pursuant to the Australian Sales Agreement, the Company is forecasting to produce and ship an additional \$777,000 in inventory to the Australian Dealer by January 31, 2021, which will increase the Company’s outstanding accounts receivable from SFLP and RW Roads, accordingly.

16. 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 Company entered into an arrangement with SFLP for SFLP to order critical raw materials for MIL in order to allow the Company to meet its significant production needs. Notwithstanding that SFLP has agreed to order critical raw materials on behalf of the Company, MIL still needs to collect its accounts receivable in accordance with the Australian Sales Agreement with SFLP in order to fulfill its cash requirements to the end of February. The Company's projected cash flow forecast to February 28, 2021 is set out below.
17. As a result of significant liquidity challenges, due primarily to working capital constraints and lack of further meaningful government subsidies (namely CEWS), and in consultation with the Purchaser, the Company was required to terminate nine employees of Morris Industries Limited. The terminations were effective January 8, 2021.
18. The Company, by and through the Monitor, has continued to host multiple communications with BMO with respect to the CCAA Proceedings and the status of the Revised APA executed on December 3, 2020. 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 REVISED APA

19. As reported in the Twelfth Report, the Monitor, by and through MIL and CRI, intended to close the SFLP Transaction (as contemplated in the Revised APA) on or before December 31, 2020. However, as a result of the Purchaser experiencing 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 December 31, 2020, and as a result the SFLP Transaction did not close on that date.

20. As a result of the above, the Monitor, along with BMO, has been in direct and constant communication with the Purchaser and its equity sponsor in order to make arrangements which will permit the SFLP Transaction to close.
21. The Monitor is encouraged by the discussions which have occurred to date between the Purchaser and BMO, and is therefore recommending and requesting that these CCAA Proceedings be extended in order that the business of Morris Group may continue to operate while the Monitor, BMO, the Purchaser, and the Purchaser's equity sponsor work toward a resolution which will permit the closing of the SFLP Transaction.

CASH FLOW RESULTS

22. The Company's actual cash receipts and disbursements compared to the Eleventh Cash Flow Forecast for the period from December 7, 2020 to January 17, 2021 (the "Reporting Period"), appended to the Thirteenth Report of the Monitor are summarized below:

MORRIS GROUP Cash Flow Variance Analysis For the period December 7, 2020 to January 17, 2021 (In CAD \$000s)				
	Jan 8, 2020 to Jan 15, 2021	December 7, 2020 to January 15, 2021		
	Actual	Actual	Forecast	Var (\$)
Receipts				
Whole goods and parts collections	\$ 10,325	\$ 1,568	\$ 1,943	\$ (375)
Draw on EDC insured foreign receivable	7,490	-	-	-
Sale of excess inventory	1,644	34	34	-
CEWS and CERS receipts	2,446	-	50	(50)
Other collections	343	-	-	-
Total receipts	22,248	1,602	2,027	(426)
Disbursements				
Production costs	6,657	541	444	(97)
Operating expenses	2,329	235	227	(8)
Critical Suppliers	252	-	-	-
Wind down of MSS	63	-	-	-
Insurance costs	902	49	33	(17)
Union settlement	118	-	572	572
Payroll and pension	8,876	1,030	917	(113)
Marketing costs	50	-	-	-
Rent and property taxes	1,183	54	61	7
Other operating costs	1,327	26	136	111
DIP interest, fees and costs	1,152	68	58	(10)
PMSI priority payments	-	-	-	-
Professional fees and costs	3,971	190	583	393
Total disbursements	26,881	2,193	3,030	837
Net cash flow from operations	(4,633)	(591)	(1,003)	412
DIP draws (repayments)	4,633	591	1,003	412
Net cash flow from financing	4,633	591	1,003	412
Net cash flow	\$ -	\$ -	\$ -	\$ -
Interim Financing (DIP Facility)				
Maximum Available DIP	\$ 6,500	\$ 6,500	\$ 6,500	
Opening Drawn Balance	\$ 1,243	\$ 5,285	\$ 5,285	\$ -
Draws (Repayments)	4,633	591	1,003	412
Ending DIP Balance (Cash)	5,876	5,876	6,288	412
DIP Availability during the Period	\$ 624	\$ 624	\$ 212	\$ 412
Australian Dealer Collections				
Opening Cash Balance	\$ -	\$ -	\$ -	\$ -
Collections	7,490	-	-	-
Draws	(7,490)	-	-	-
Ending Cash Balance	\$ -	\$ -	\$ -	\$ -

23. Over the Reporting Period, the Company experienced a favourable cash flow variance of approximately \$410,000 as a result of various permanent and temporary differences, which primarily related to:
- a) whole goods and parts collections were \$375,000 lower than forecast due primarily to temporary differences with respect to timing of collections from the Company's Australian Dealer;
 - b) production costs were \$97,000 higher than forecast due to temporary timing differences with respect to procurement of raw materials required to satisfy orders from the Australian Dealer and to meet forecast whole goods and parts demand in Canada and the USA;
 - c) union settlement costs were materially lower than forecast due to temporary timing differences as a result of delays to closing the transaction contemplated in the Revised APA;
 - d) payroll and pension costs were \$113,000 higher than forecast as a result of delays to closing the transaction contemplated in the Revised APA; and
 - e) professional fees and costs are lower than forecast due to timing differences. The Monitor and its counsel have not had its invoices paid for November and December 2020 during the Reporting Period and the Company intends to pay these invoices as reflected below in the Updated Cash Flow Forecast.

UPDATED CASH FLOW FORECAST

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

MORRIS GROUP Cash Flow Forecast For the Period January 18, 2021 to February 28, 2021 <i>(In CAD \$000s)</i>		Total Jan 18/21 to Feb 28/21
Receipts		
Whole goods and parts collections	\$	2,649
Canada Emergency Wage and Rent Subsidy receipts		91
Total Operating Receipts		2,740
Draws on the EDC Insured Foreign Receivable		-
Total Receipts		2,740
Disbursements		
Production costs	\$	142
Operating expenses		138
Insurance costs		108
Union settlement		-
Payroll and pension		1,109
Rent and property taxes		61
Other operating costs		194
DIP interest, fees and costs		123
PMSI priority payments		254
Professional fees and costs		622
Total Operating Disbursements		2,751
Net Cash Flow	\$	(11)
EDC Insured Foreign Receivables Previously Collected	\$	7,483
Opening balance		-
Draws on Foreign Receivable previously collected		-
Ending cash available	\$	-
Interim Financing Availability (Max)	\$	6,500
Opening balance		5,876
DIP draws (repayments)		11
Ending balance	\$	5,887
Remaining Interim Financing Availability	\$	613
Adjustment for Uncollected SFLP and RW Roads Accounts Receivable	\$	(1,939)
Adjusted Remaining Interim Financing Availability	\$	(1,326)

25. By the end of the Forecast Period, it is estimated that the remaining interim financing facility balance will be approximately \$613,000 primarily based on collecting receipts from confirmed whole goods orders and existing parts sales and additional cash receipts from the CEWS program, offset by forecast production costs, operating costs and other costs of the proceedings during the Forecast Period. In addition, the Monitor anticipates collecting the following accounts receivable generated during the CCAA Proceedings subsequent to the Forecast Period:
- a) approximately \$1.2 million from the Australian Dealer; and
 - b) \$700,000 from SFLP and RW Roads under the terms of the Australian Sales Agreement. This amount is calculated as estimated outstanding accounts receivable of approximately \$4.0 million, less existing production purchase orders of approximately \$1.8 million and forecast production orders of \$1.5 million ordered by SFLP on behalf of the Company so that it can meet its significant production needs.
26. Should the Company experience a further delay in collecting some or all of the \$2.0 million of accounts receivable, the Company will face an overall cash shortfall of up to approximately \$1.3 million by the end of the Forecast Period and will be unable to pay its disbursements by the week ending February 12, 2021. As previously discussed, it is critical the Company collect the accounts receivables in the coming weeks or arrange for additional interim financing. These funds will also be required to fulfill its upcoming disbursements during Forecast Period to meet forecast production demand.
27. The Monitor's comments with respect to the Twelfth Cash Flow Forecast are as follows:
- a) Whole goods and parts collections total approximately \$2.6 million, which relates to the following:
 - i. \$2.0 million of whole goods collections under the Australian Sales Agreement with SLFP. As previously discussed, the Company does anticipate that there will be approximately \$700,000 in uncollected

accounts receivable from SFLP (in respect to Australia based whole goods shipments) by the end of the Forecast Period;

- ii. \$545,000 of whole goods and parts collections from the Australian Dealer. There will be approximately \$1.2 million in uncollected accounts receivable relating to parts sales at the end of the Forecast Period; and
 - iii. \$115,000 of collections from trade accounts receivable due from various dealers across Canada, the U.S.A. and Eastern Europe (excluding Australia).
- b) Canada Emergency Wage Subsidy receipts were previously received and reported on in Prior Reports. The ninth and tenth CEWS application are anticipated to be submitted and collected in the Forecast Period, consistent with the timelines provided by the Government of Canada;
 - 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) Professional fees and disbursements of the Monitor and the Monitor's counsel for the period of November 2020 to December 2020 and bankruptcy retainers for the Trustee and the Trustee's Counsel are paid during the Forecast Period; and;
 - 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.

28. The Company will be required to pay a settlement of a material amount to the Union upon closing the SFLP transaction, pursuant to the Letter of Understanding dated November 30, 2020. Payment of the settlement has not been included in the Twelfth Cash Flow Forecast as it is payable out of proceeds received upon closing the SFLP Transaction, which are not reflected in cash receipts.
29. The Twelfth 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 Twelfth 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 Thirteenth Report or relied upon by the Monitor in preparing this Thirteenth Report.

APPROVAL OF FEES AND EXPENSES

30. 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 November 30, 2020.
31. 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 December 1, 2020 to December 31, 2020.
32. Professional fees and disbursements rendered by the Monitor from December 1, 2020 to December 31, 2020, total \$152,019.84 (exclusive of GST). These fees include those of the Monitor and its affiliated company, Alvarez & Marsal Canada

Securities ULC, totaling \$18,850, with corresponding additional expenses incurred and made on behalf of the Company totalling approximately \$95.00. The accounts will be made available upon request and are summarized in Appendix B to this Report.

33. Professional fees and disbursements rendered by MLT Aikins LLP, the Monitor's counsel, from December 1, 2020 to December 31, 2020, total \$60,489.75 (exclusive of GST and PST). The accounts will be made available upon request and are summarized in Appendix B to this Report.
34. 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.
35. The Morris Group has paid the professional fees and costs of the Monitor for the 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.
36. Payment of the Monitor's and the Monitor's counsel's professional fees and costs for the period November 1, 2020 to December 31, 2020 are contemplated in the Twelfth Cash Flow Forecast.
37. 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 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.

38. The Monitor and its legal counsel anticipate rendering invoices for their respective fees and disbursements for services rendered in January of 2021 in the coming weeks. These professional fees and disbursements are contemplated in the Twelfth 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

39. Pursuant to the Initial Order, the stay period is set to expire on January 31, 2021. As described in the application materials filed on January 26, 2021, the Companies are seeking an Order granting an extension of the stay period from January 31, 2021 to February 28, 2021.
40. The Monitor has considered various factors with respect to the Morris Group's application for a further Stay Extension Order to February 28, 2021, including:
- a) the likelihood and timing of the Company satisfying the conditions included in the Revised APA;
 - b) whether or not there would be any material financial prejudice to any of the Morris Group's creditors;
 - c) the fact that the Companies appear to have sufficient liquidity until satisfaction of conditions in the Revised APA;
 - 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.

41. 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 February 28, 2021 be granted by this Honourable Court.
42. The Monitor will continue to work with the Purchaser in order to close the Transaction contemplated in the Revised APA, subject to Court approval.

MONITOR'S RECOMMENDATION

43. The Monitor respectfully recommends that this Honourable Court grant the following:
 - a) the proposed Stay Extension Order from January 31, 2021 to February 28, 2021;
 - b) an order approving the fees and disbursements of the Monitor and its legal counsel for the period from December 1 to December 31, 2020; 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 26th day of January 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

Twelfth Cash Flow Forecast to February 28, 2021

MORRIS GROUP
6 Week Cash Flow Forecast
For the Period January 18, 2021 to February 28, 2021
(In CAD \$000s)

Week ended	Notes	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 1 to 6
		22-Jan-21	29-Jan-21	5-Feb-21	12-Feb-21	19-Feb-21	28-Feb-21	Total
Receipts								
Whole goods and parts collections	1	\$ 404	\$ 65	\$ 202	\$ 307	\$ 634	\$ 1,036	\$ 2,649
Sale of excess inventory		-	-	-	-	-	-	-
Canada Emergency Wage and Rent Subsidy receipts	2	-	45	-	-	-	46	91
Recovery of Wage Earner Protection Program eligible amounts	3	-	-	-	-	-	-	-
Total Receipts		404	110	202	307	634	1,083	2,740
Disbursements								
Production costs	4	66	50	10	10	5	1	142
Operating expenses	5	57	16	10	10	45	3	138
Insurance costs	6	-	33	75	-	-	-	108
Union settlement	7	-	-	-	-	-	-	-
Payroll and pension costs	8	356	100	326	-	326	-	1,109
Rent and property taxes	9	-	-	54	7	-	-	61
Other operating costs	10	8	62	23	13	29	59	194
DIP interest, fees and costs	11	-	61	-	-	-	63	123
PMSI priority payments	12	-	-	-	-	-	254	254
Professional fees and costs	13	-	-	-	113	282	227	622
Total Operating Disbursements		487	322	498	152	687	606	2,751
Net Cash Flow		\$ (83)	\$ (211)	\$ (295)	\$ 156	\$ (53)	\$ 477	\$ (11)
DIP Draw (Repayments)								
Net Cash Flow Remaining								
EDC Insured Foreign Receivable Previously Collected								
Opening cash balance	14	\$ 7,483	\$ 7,483	\$ 7,483	\$ 7,483	\$ 7,483	\$ 7,483	\$ 7,483
Draws on Foreign Receivable previously collected		-	-	-	-	-	-	-
Ending cash available		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interim Financing Availability (Max)								
Opening balance	11	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500
Opening balance		5,876	5,959	6,170	6,466	6,310	6,363	5,876
DIP draw (repayments)		83	211	295	(156)	53	(477)	11
Ending balance		5,959	\$ 6,170	\$ 6,466	\$ 6,310	\$ 6,363	\$ 5,887	\$ 5,887
Remaining Interim Financing Availability		\$ 541	\$ 330	\$ 34	\$ 190	\$ 137	\$ 613	\$ 613
Adjusted Interim Financing Availability (Max)								
Opening balance		\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500
Opening balance		5,876	5,959	6,170	6,466	6,602	7,274	5,876
DIP draw (repayments)		83	211	295	(156)	53	(477)	11
Adjustment for uncollected SFLP and RW Roads Accounts Receivable		-	-	-	292	618	1,029	1,939
Ending balance		5,959	6,170	6,466	6,602	7,274	7,826	7,826
Adjusted Remaining Interim Financing Availability	15	\$ 541	\$ 330	\$ 34	\$ (102)	\$ (774)	\$ (1,326)	\$ (1,326)

NOTES AND ASSUMPTIONS

6 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. Parts collections have declined reflecting the end of the seeding season and are consistent with historical performance. The Company expects receipts from the Australian Dealer in January 2021 totalling approximately \$360,000 and receipts in February 2021 totalling approximately \$187,000. Additionally, the Company is expected to produce approximately \$2.0 million in cash receipts over the Forecast Period under the Australian Sales Agreement with SFLP.
- 2 Canada Emergency Wage Subsidy ("CEWS") receipts of \$2.4 million were received during the CCAA Period following the approval of eight applications. A ninth and tenth application are expected to be submitted and collected in the Forecast Period. The second and third application for Canada Emergency Rent Subsidy ("CERS") are expected to be submitted and collected in the Forecast Period.
- 3 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 and may provide the Company with an ability to repay the entire DIP borrowings (subject to subsequent payment or allocation of costs of the CCAA Proceedings).
- 4 Production costs include approximately \$142,000 of raw material purchases required to produce whole goods and parts to meet anticipated North American market demand. The Company anticipates that it will need to order (through SFLP) and additional \$1.5 million of raw materials during the Forecast Period in order to meet forecast demand up to the anticipated Closing Date of the SFLP Transaction.
- 5 Estimated costs associated with ongoing production and operating activities.
- 6 Insurance includes group and corporate insurance policies with scheduled monthly payments.
- 7 The union settlement contemplates a material payment to the terminated Yorkton union employees in exchange for a letter of understanding to amend the collective bargaining agreement. Payment of the settlement has not been included in the Cash Flow Forecast as it is payable out of proceeds received upon closing the SFLP Transaction, which are not reflected in cash receipts.
- 8 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 the Company. A ninth and tenth application are anticipated to be submitted and collected in the Forecast Period.
- 9 Rent includes lease payments for all of Morris' currently occupied premises as well as property taxes.
- 10 Other operating costs includes payments of WCB insurance, bank fees, utilities, software, IT, travel and related costs.
- 11 Legal professional fees and 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.
- 13 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.
- 14 The EDC insured foreign receivables collected to date total \$7.5 million and represent the net accounts receivable, which have all been paid to the Company by the Monitor's legal counsel to fund payments approved by the Monitor.
- 15 Should the Company not collect the entirety of the \$2.0 million of accounts receivable due and outstanding from SFLP and RW Roads per the terms of the Australian Sales agreement, the Company will face a cash flow shortfall of approximately \$1.3 million by the end of the Forecast Period.

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 December 1, 2020 to December 31, 2020

Invoice	Period	Fees	Disbursements	Sub-total	GST	PST	Total
Alvarez & Marsal Canada							
Corporate Restructuring							
13	Dec.1-31/20	133,075.00	94.84	133,169.84	6,658.49	-	139,828.33
Corporate Finance							
13	Dec.1-31/20	18,850.00	-	18,850.00	942.50	-	19,792.50
Total							
13	Dec.1-31/20	\$ 151,925.00	\$ 94.84	\$ 152,019.84	\$ 7,600.99	\$ -	\$ 159,620.83
MLT Aikins LLP							
12	Dec.1-31/20	60,183.50	306.25	60,489.75	3,023.49	3,611.01	67,124.25
		\$ 60,183.50	\$ 306.25	\$ 60,489.75	\$ 3,023.49	\$ 3,611.01	\$ 67,124.25