

C A N A D A

SUPERIOR COURT
(Commercial Division)

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

N° : 500-11-058602-208

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

**MAGASIN LAURA (P.V.) INC. /
LAURA'S SHOPPE (P.V.) INC.**

Debtor

- and-

KPMG INC.

Monitor

**REPORT OF THE MONITOR ON THE STATE OF THE
DEBTOR'S AFFAIRS AND THE PLAN OF COMPROMISE AND
ARRANGEMENT**

(Companies' Creditors Arrangement Act, R.S.C. 1985, C. C-36, As Amended)

JUNE 21, 2021

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A. INTRODUCTION

1. This report (the "**Report**") of KPMG Inc. (the "**Monitor**") on the State of the Debtor's Affairs and the Plan of Compromise and Arrangement (the "**Plan**") is being presented to provide information on Magasin Laura (P.V.) Inc. / Laura's Shoppe (P.V.) Inc. ("**Laura**" or the "**Company**") and to assist the Affected Creditors (as defined in the Plan) of the Company in their review and assessment of the Plan which has been filed by the Company pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**").
2. The Plan is submitted to the Affected Creditors of Laura for their consideration and approval at a meeting of creditors to be held by videoconference on July 7, 2021.
3. This Report is intended to provide the Affected Creditors with the following information:
 - a) Background of the proceedings commenced by the Company under the CCAA (the "**CCAA Proceedings**") (section **B**);
 - b) The restriction and scope limitations and disclaimer for the Report (section **C**);
 - c) The Company's background and events leading to the financial difficulties (section **D**);
 - d) Restructuring Efforts (section **E**);
 - e) Cash Flow Forecast (section **F**);
 - f) Update on the Claims Procedure (section **G**);
 - g) Overview of the Plan (section **H**);
 - h) Estimated Net Realization in a forced liquidation scenario (section **I**);
 - i) The Monitor's observation on the Plan (section **J**);
 - j) Overview Creditors' Meeting (section **K**); and
 - k) The Monitor's recommendations (section **L**);

B. BACKGROUND OF THE CCAA PROCEDURES

4. On July 31, 2020, the Quebec Superior Court, Commercial Division (the "**Court**") rendered an initial first day order (the "**First Day Initial Order**") which provided for, among other things, a stay of proceedings until August 10, 2020 (the "**Stay Period**").
5. On August 10, 2020, the Court rendered an amended and restated initial order (the "**Amended and Restated Initial Order**") which provided for, among other things, the extension of the Stay Period up to September 25, 2020.

6. On August 28, 2020, the Court rendered an order (the "**Claims Procedure Order**") authorizing the establishment of a claims bar date on October 5, 2020 (the "**Claims Bar Date**") for the filing of proofs of claims by the Company's creditors and approving the form, manner of notice, filing procedure and determination process in respect of such proofs of claims (the "**Claims Procedure**"). In addition, pursuant to the Claims Procedure Order, the Stay Period was extended up to October 30, 2020.
7. On September 25, 2020, the Court rendered an order appointing a receiver solely for the purpose of allowing its former employees to receive some recovery pursuant the *Wage Earner Protection Program Act* (the "**WEPPA**").
8. On October 23, 2020, the Court rendered an order extending the stay of proceedings and granting other relief. The Stay Period was extended up to January 29, 2021.
9. On January 29, 2021, the Court rendered an order extending the stay of proceedings extending the Stay Period up to February 24, 2021.
10. On February 24, 2021, the Court rendered an order extending the stay of proceedings extending the Stay Period up to April 30, 2021.
11. On April 1, 2021, the Court rendered an order authorizing the filing of the Plan, the calling of a creditors' meeting and extending the stay of proceedings (the "**Creditors' Meeting Order**"). The Stay Period was extended up to May 31, 2021.
12. On May 21, 2021, the Court rendered an order extending the date of the creditors' meeting and the stay of proceedings. The delay for holding a creditors' meeting was extended to a date on or before July 23, 2021 and the Stay Period was extended to July 30, 2021.

C. RESTRICTIONS AND SCOPE LIMITATIONS

13. In preparing this Report, the Monitor has been provided with and has relied upon audited and unaudited financial information, books and records prepared by certain senior management of the Company ("**Senior Management**"), and discussions with Senior Management (collectively, the "**Information**"). Except as further described in this Report:
 - 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* and accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

- b) If some of the information referred to in this Report consists of financial forecasts and projections, an examination or review of the financial forecast and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.
14. Future oriented financial information referred to in this Report was prepared based on Senior Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections. Even if the assumptions materialize, the variations could be significant.
15. The information contained in this Report is not intended to be relied upon by any prospective purchaser or investor in any transaction with the Company.
16. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars, which is the Company's common Reporting currency.
17. Furthermore, this Report does not consider all future impacts of the COVID-19 pandemic (the "**Pandemic**") on the Company's projections and future-oriented financial information and action plans either taken or considered by Laura as a result of the evolving circumstances caused by the Pandemic. Any reference made to the impact of the Pandemic on Laura in this Report is based entirely on preliminary discussions and is not to be interpreted as an exhaustive and/or accurate assessment of the full impact of the Pandemic. The full potential impact of the Pandemic on the Company's customers, suppliers, commercial counterparts (both direct and indirect to Laura's operations) and other stakeholders is unknown, cannot be quantified at this time and is continuing to evolve.

D. COMPANY'S BACKGROUND AND THE EVENTS LEADING TO THE COMMENCEMENT OF THE CCAA PROCEEDINGS

Corporate Structure

18. Laura was incorporated pursuant to the *Québec Business Corporations Act*.
19. Laura is a privately owned company, whose shares are owned directly and indirectly by the family of the Company's founder, Laura Wolstein, including by her grandson Mr. Kalman Fisher and his wife Mrs. Melanie Fisher. Laura's sole director is Mr. Kalman Fisher, who is also the president of the Company.

Operations & Employees

20. Laura is a women's clothing retailer which was operating 140 stores at the initiation of the present CCAA Proceedings. Since that time, Laura has disclaimed one lease and is therefore currently operating 139 stores, in addition to 2 e-commerce sites: www.laura.ca and www.melanielyne.com. Laura's stores are predominantly in shopping malls, under the banners "*Laura*" and "*Melanie Lyne*", and all located in Canada.
21. Prior to the Pandemic, the Company employed approximately 1,918 people across Canada (including 1626 people at the store-level and 292 people at the Company's head office). At the date of this Report, the Company has 1,266 employees at the store-level and has 280 employees at its head office for a total of 1,546 employees.

Events Leading to the Commencement of the CCAA Proceedings

22. Prior to the onset of the Pandemic, Laura was successfully operating in a rapidly changing retail landscape.
23. While the Company recorded net profits during the last two (2) completed fiscal years ended February 1, 2020, and February 2, 2019, the Company was blindsided by the unprecedented and unforeseeable Pandemic.
24. In early March 2020, retail operations began to slow down, as news reports emerged that the pandemic had made its way to Canada. In mid-March 2020, Laura's brick and mortar business came to a grinding halt as it made the decision, with the view to protecting the health of its communities, to close its stores a full week before government orders were put in place mandating retail store closures to contain the spread of COVID-19 virus.
25. Although Laura was able to operate its online business during this time, Laura's online sales were insufficient to offset the lost revenue resulting from store closures.
26. Starting in May 2020, Laura gradually began reopening some of its stores, as permitted by government decrees, with the vast majority of re-openings only taking place in mid-June.
27. Nevertheless, the Pandemic caused a sharp decrease in sales, including for the period following the reopening of its stores. From March to mid-July 2020, sales decreased by 70% compared to the previous year.
28. By late July 2020, Laura was incurring substantial losses from operations, to the point where the Company was expecting to run out of liquidity, which eventually prompted the Company to seek creditor protection under the CCAA.

E. THE COMPANY'S RESTRUCTURING EFFORTS

29. In fact, between the first days of the Pandemic in March 2020, and the commencement of the CCAA Proceedings on late July 2020, the Company, in an effort to minimize its losses:

- a) Temporarily laid off all its retail employees and almost half of its head office employees. Most of its employees were hired back as the stores progressively began to re-open;
- b) Renegotiated certain arrangements with trade creditors in order to ensure that the Company would not encounter disruptions to its supply chain, which would have been very detrimental to its ongoing operations, and at same time, obtained concessions with extended payment terms and forgiveness of accounts payables and cancellation of orders for goods that would be harder to sell in the post Pandemic era;
- c) Halted payment of rents for the months of April to July 2020, and resumed payments after the commencement of the CCAA Proceedings;
- d) Continued to operate its business in the normal course while implementing various measures to reduce costs and improve sales; and
- e) Sought and obtained additional financing pursuant to the Business Credit Availability Program in the form of a loan of \$6.25 million;

30. On July 27, 2020, the Company filed an initial application under the CCAA, which was granted by the Court on July 31, 2020.

31. Since the commencement of the CCAA Proceedings, the Company has implemented numerous initiatives to reduce its expenses and restructure its operations, including the following:

- a) The Company's shareholders made a first cash injection of \$750,000;
- b) The Company conducted extensive discussions and negotiations with its landlords with regards to its lease agreements, with the objective of agreeing to new viable lease terms that would enable Laura to carry on its business in the current challenging environment;
- c) The Company issued two (2) Notices to Disclaim with respect to its lease agreements (one of which was subsequently withdrawn);
- d) The Company reduced its salary expense and, at the date of this report, has approximately 375 (-19%) less employees than before the Pandemic;
- e) The Company negotiated, extended and amended on a number of occasions its forbearance agreement (the "**Forbearance Agreement**") with its operating lender BMO and at the same time, negotiated and obtained a BCAP Loan of \$2.75 million in order to have sufficient liquidity to continue to carry out its business. In addition, in order to meet its obligations under the Forbearance Agreement, the Company's shareholders provided BMO with additional guarantees and an additional cash injection of \$1 million;

- f) The Company obtained funding from the Canada Emergency Wage Subsidy program and the Canada Emergency Rent Subsidy program; and
- g) During the second shutdown in Manitoba, Ontario, Québec, Newfoundland and Nova Scotia between November 2020 and June 2021, the Company renegotiated its lease terms with regards to the stores that were closed in those provinces as a result of government decrees.

F. CASH FLOW FORECAST

32. We refer the reader to the previous seven reports of the Monitor for details relating to the actual receipts and disbursements since the First Day Initial Order, including the Seventh Report of the Monitor which provides further details relating to the Company's cash flow forecast for the period of May 9, to August 7, 2021 (the "**Cash Flow Forecast**") and which provide the Monitor's assessment on the reasonableness of such Cash Flow Forecast.
33. As at June 12, 2021, the Company's closing net bank indebtedness was approximately \$9.3 million which represents a favorable variance of \$8.4 million compared to the Cash Flow. However, most of the favorable variance is due to timing of payments and will reverse in subsequent periods.
34. The Monitor understands that since the First Day Order, Laura has paid and continues to pay in the normal course of business for goods and services received subsequent to the date of the First Day Initial Order, including payroll, government remittances and new purchases, with the exception of some fixed rent and/or percentage rent subject to certain revenue-level guarantees in connection with the January to June 2021 period. The Monitor understands that acceptable arrangements have been agreed with most of the landlords in respect of the aforesaid periods.

G. CLAIMS PROCEDURE UPDATE

Claims

35. The following section provides a summary of the claims process conducted by the Monitor as required by the Claims Procedure Order. The Claims Bar Date pursuant to the Claims Procedure Order was October 5, 2020 for all claims other than the Renegotiated Lease Claims and the Disclaimed Lease Claims. All terms not otherwise defined in this section have the definition ascribed to them in the Claims Procedure Order.
36. Pursuant to paragraph 3 of the Claims Procedure Order, the Monitor:
- a) On September 4, 2020, published the Newspaper Notice (as defined in the Claims Procedure Order) in the newspapers La Presse (in French) and The Globe and Mail (in English);
 - b) Before September 4, 2020, posted on the Monitor's websites home.kpmg/ca/laura and home.kpmg/ca/laura-fr (the "**Website**") the:

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- i. Creditors' list;
 - ii. Creditors' instructions to file a proof of claim and proof of claim form; and
 - iii. Claims Procedure Order; and
- c) Sent a copy of the creditors' instructions and proof of claim forms (with minor modifications) to each known creditor.
37. The Monitor and its counsel, in consultation with the Company and its legal advisors, have continued to review proofs of claims or amended proofs of claims received, especially for Renegotiated Lease Claims (as defined in the Claims Procedure Order) and notices of revision or disallowance were sent by the Monitor, mostly for mistakes in the calculation of the amounts claimed for Renegotiated Lease Claims. For the most part, the notices of revision or disallowance were discussed and agreed with the creditors before being sent.
38. The following table illustrates the summary of Claims received and accepted by the Monitor as at June 15, 2021.

Laura Shoppe (P.V.) Inc. Summary of Claims Received As at June 15, 2021	Total Received		Accepted by the Monitor	
	Number of Claims	Claims (CADs) (000's)	Number of Claims	Claims (CADs) (000's)
	Unsecured Claims received before the Claim Bar Date	333	25,368	322
Unsecured Claims received after the Claim Bar Date	156	1,279	156	1,281
6(5) Claims	285	95	285	95
Restructuring Claims :				
Renegotiated Leases Claims	79	24,591	78	20,471
Disclaimed Leases Claims	2	3,547	2	661
Total	855	54,879	843	45,927

39. As of June 15, 2021, the Monitor had received and reviewed:
- a) 855 claims for an aggregate amount of \$54.88 million and has accepted 843 claims for an aggregate amount of \$45.92 million;
 - b) From the 855 claims received, 156 claims for an aggregate amount of \$1.28 million were filed after the Claims Bar Date, all of which were accepted by the Monitor, in accordance with orders rendered by the Court. It is to be noted that the vast majority of them were submitted by former employees who were terminated or had resigned just before or after the Claims Bar Date; and
 - c) From the 855 claims received, 285 claims for an aggregate amount of \$95,000 were filed pursuant to section 6(5) of the CCAA. It is to be noted that these claims are unaffected by the Plan.
40. The following table illustrates the summary of accepted claims by the Monitor and the estimated outstanding claims that the Monitor may potentially receive from former employees and landlords for Renegotiated Lease Claims that have not yet filed their Claims as at June 15, 2021.

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Laura Shoppe (P.V.) Inc.		
Summary of Accepted Claims Received and Outstanding		
As at June 15, 2021		
	Number of Claims	Claims (CAD\$) (000's)
Total Claims Accepted by the Monitor as at June 15, 2021	843	45,927
Total Estimated Restructuring Claims to be received before the Creditor Meeting:		
Renegotiated Leases Claims	38	7,825
Employees Claims	31	53
Sub-total	912	53,805
Total 6(5) claims unaffected by the plan	(316)	(112)
Total	596	53,693

41. As appears from the above, the Monitor has estimated that as at June 15, 2021, approximately 69 additional claims for an aggregate amount of approximately \$7.9 million could potentially be filed by former employees and landlords for Renegotiated Lease Claims. **Accordingly, it is important to note that the quantum of the claims totaling \$53.69 million only constitutes an estimate, which may vary depending on whether or not these creditors proceed with the filing of a claim with the Monitor in accordance with the Claims Procedure Order.**

42. The following table illustrates the summary of notices of revision or disallowance issued by the Monitor as at June 15, 2021.

Laura Shoppe (P.V.) Inc.			
Summary of Notices of Revision or Disallowance			
As at June 15, 2021			
	Number of Notices of Revision or Disallowance	Amount per Claims received (CAD\$) (000's)	Amount accepted by the Monitor (CAD\$) (000's)
Claims for which the Monitor has issued partial Notices of Revision or Disallowance	24	18,792	12,351
Claims for which the Monitor has issued full Notices of Revision or Disallowance	13	2,761	-
Total	37	21,553	12,351

43. As at June 15, 2021, the Monitor had issued 37 notices of revision or disallowance. In all these cases, the 15 days period to dispute the Monitor's decision has expired, and no notice of appeal of such notices of revision or disallowance has been filed.

WEPPA

44. In order to restructure its operations, the Company needed to terminate a portion of its employees whose services were no longer required, due primarily to the decrease in sales caused by the Pandemic. Because the terminated employees were not eligible to receive payments under the WEPPA for the sole reason that the Company was not subject to bankruptcy or receivership proceedings, the Monitor believed that it was just and equitable to appoint the Monitor to act as a receiver pursuant to s. 243 BIA, without security, over a certain limited pool of funds of the Company in order for such terminated employees to have access to such payments. Accordingly, on September 23, 2020, the Monitor filed a motion for a receivership order, which was granted by the Court on September 25, 2020.
45. As of June 17, 2021, the WEPPA has issued payments to 213 former employees who were terminated or who had resigned during the restructuring period, yielding recoveries for such employees totalling \$508,000. These recoveries should be taken into account when assessing the CCAA process and the fairness of the Plan in respect of the employees.

H. OVERVIEW OF THE PLAN

Overview of the Plan

46. On March 26, 2021, the Company filed the Plan, together with an *Application for an Order Authorizing the Filing of a Plan of Compromise and Arrangement, the Calling of a Creditors' Meeting and Extending the Stay of Proceedings* which application was granted by the Court on April 1, 2021.
47. We have summarized below the significant aspects of the Plan. All terms not otherwise defined in this section have the definition ascribed to them in the Plan.

Plan Implementation Date

48. The Plan provides that it will be implemented subject to the occurrence and/or fulfillment, on or prior to May 31, 2021, or a later date to be agreed upon by the Company and the Monitor, of the Plan Conditions, which conditions namely include:
- a) a favorable vote by the required majority of Affected Creditors accepting the Plan; and
 - b) the issuance of a final order of the Court sanctioning the Plan ("**Sanction Order**").

Affected Creditors

49. There shall only be one class of Affected Creditors for the purpose of voting on, and receiving distributions pursuant to this Plan, being the "Affected Creditors Class".
50. Affected Creditors include all creditors holding any claim against the Company, other than the following claims which shall be unaffected under the Plan:

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- a) Ordinary Course Post-Filing Claims;
- b) Administration Claims;
- c) Gift Card Claims;
- d) BMO Claims;
- e) Crown Priority Claims;
- f) Section 6(5) Claims;
- g) Section 19(2) Claims;
- h) Secured Claims;
- i) Fisher Group Claims; and
- j) Key Supplier Claims.

51. It should be noted that the Monitor has not obtained an independent review regarding the claims and/or security interests of BMO (\$25 million), 3482731 Canada Inc. (\$5 million) or of any other members of the Fisher Group, which are related parties to the Company. Given that such creditors are unaffected creditors under the Plan, they will not receive any share in the Distribution Amount.

Distribution

52. The Company is to remit to the Monitor, by no later than August 31, 2021, the aggregate amount of \$750,000 (the "**Distribution Amount**") and the Monitor shall thereafter distribute the Distribution Amount on a *pro rata* basis to the Affected Creditors according to their respective Proven Claims.

53. The following table illustrates the estimated recovery under the Plan which may be realized by the Affected Creditors based on information available and the Monitor's best estimate of provable claims as at the date of this Report:

Laura Shoppe (P.V.) Inc.	
Estimated Distribution	
(CAD\$ 000's)	
Estimated Affected Claims	53 693 [1]
Aggregate Distribution	750
Estimated Distribution %	1,40%

[1] Represents the Monitor's best estimate of the Affected Claims as of the date of this Report

54. As shown in the table above, the estimated recovery under the Plan is projected to represent **an average of 1.40%** of the total amount of each Proven Claim.

55. **It is important to note that the estimated realization to the Affected Creditors is based on the Monitor's best estimate of the Proven Claims, such that the final distribution under the Plan can vary depending on the final aggregate value of Proven Claims.**

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Release and Discharge

56. Upon the sanction of the Plan, each of the following shall be released and discharged:
- a) the Monitor and its legal counsel in the CCAA proceedings; and
 - b) the Company's legal counsel, financial advisors, consultants and agents of the Company (and their respective directors, officers and employees).
57. Upon the Distribution Amount being fully remitted to the Monitor, the Monitor shall issue and file with the Court a certificate to such effect (the "**Certificate of Performance**"), and upon the issuance of same, each of the following shall be released and discharged:
- a) the Company; and
 - b) the Directors and all present and future officers and employees of the Company.
58. All claims of Affected Creditors shall be transferred to the Distribution Amount and shall be released in full upon the distribution of same to each Affected Creditor, on a pro-rata basis.

I. ESTIMATED NET REALIZATION IN A FORCED LIQUIDATION SCENARIO

59. In order to allow the Affected Creditors and the Court to assess the reasonableness of the Plan, the Monitor has prepared an analysis based on the information provided to it estimating the net realization value of the Company's assets in a forced liquidation scenario. The following table illustrates the estimated recovery for unsecured creditors in the context of a forced liquidation:

Laura Shoppe (P.V.) Inc.			
Estimated Net Realization in a Forced Liquidation			
Reported Book Value as at May 31st, 2021			
(CAD\$ 000's)			
Projected Net Realization Value	Book Value	Estimated Realization Value	
<i>Gross Realization</i>			
Inventory (Net of Provisions)	40 914	29 046	71,0% [1]
Other Short-Term Assets	1 772	643	36,3% [2]
Long-Term Assets	37 020	998	2,7% [3]
Total Projected Gross Realization Value	79 706	30 687	38,5%
Trustee's Fees - Liquidation Administration		(1 000)	[4]
Total Projected Net Realization Value		29 687	
Estimated Funds Available For Unsecured Creditors			
Priority Claims (Salaries and Vacations)		(1 757)	[5]
Secured Creditors		(30 612)	[6]
Estimated Funds Available For Unsecured Creditors		(2 682)	
Estimated Recovery For Unsecured Creditors			
Estimated Unsecured Claims in a Bankruptcy		90 899	[7]
Estimated Unsecured Creditors Recovery (%)		0,00%	

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- [1] Inventory includes finished goods held in the warehouse (38.456 M\$), fabrics held in the warehouse (1.557 M\$) and in-transit goods (901 k\$). Liquidation values established in concordance with net orderly liquidation factors of Gordon Brother's inventory appraisal dated June 11, 2021. An additional 20% reduction is included in the above calculation based on experiences in realization contexts where the final realization in a forced liquidation is generally lower than the NOLV.
- [2] Other short-term assets are made of prepaids (997 k\$), cash (394 k\$), receivables (78 k\$) and supplies (303 k\$). The related realization value is established according to the nature of the current assets and the experiences in similar realization contexts.
- [3] Long-term assets are mainly made of leasehold improvements (26.065 M\$), furnitures and fixtures (5.704 M\$) and softwares (3.841 M\$). The related realisation value is established according to the nature of the long-term assets and the experiences in similar realization contexts.
- [4] Trustee's administration fee related to the liquidation is established in accordance with the anticipated 17.4 week timeline required for the orderly liquidation as presented in Gordon Brother's inventory appraisal report dated December 14, 2020.
- [5] Priority claims consist of one week of unpaid wages as well as unpaid vacation up to \$2,000 per employees for all active employees and those with a 6 (5) claim in the plan.
- [6] The claims of the secured creditors are based on mortgages shown on RDPRM and are composed of the debt owed to BMO (25.342 M\$), a Fisher Group claim (5.000 M\$) and a capital lease claim (270 k\$).
- [7] Unsecured creditors claims are predominantly composed of suppliers claims received as of the date hereof (7.203 M\$), employee claims (8.025 M\$), unsecured Fisher Group claims (19.507 M\$), landlord's rent arrears (16.613 M\$) as well as terminated lease claims (37.238 M\$). Employees claims are based on unpaid non-priority wages and vacations as well as notices of termination according to the rules in each provinces. The landlord's terminated lease claims are based on claims for a maximum period of 18 months.
60. As shown in the table above, the estimated recovery for unsecured creditors in the context of a forced liquidation **is estimated to be nil**, as the liquidation value of the Company's assets is not expected to be sufficient to cover in full the Company's secured claims (as previously mentioned, the Monitor has not obtained an independent security review with respect to such secured claims).
61. **It is important to note that the estimated net realization value of the Company's assets under a liquidation scenario, the total value of claims against the Company and the potential recovery for unsecured creditors are based on the Monitor's current best estimate. For its analysis, the Monitor has used various assumptions which can vary and could negatively impact the estimated recovery for unsecured creditors.**

J. THE MONITOR'S OBSERVATIONS ON THE PLAN

62. The Monitor has reviewed the Company's most recent forecast and is of the view that Plan and the Distribution Amount proposed under the Plan is reasonable in the circumstances, particularly in the context of the unprecedented disruptions associated with the Pandemic, including new uncertainties due to virus variants which would further negatively impact the results of the Company.
63. Based on the estimated net realization value of the Company's assets, the expected recovery by the Affected Creditors in the context of the Plan is more advantageous than in a forced liquidation scenario.
64. In addition, the Monitor notes the following with respect to the Plan:

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- a) The Distribution Amount takes into account the challenges the Company continues to face resulting from the Pandemic and was arrived at in consultation with its operating lender, BMO, which has agreed, in the Forbearance Agreement, to allow the Company to propose to its creditors a maximum amount of \$750,000; and,
- b) The Plan provides Laura and its many stakeholders including employees, suppliers, customers and landlords with the continued opportunity to work and continue to do business with the Company and generate revenues.

65. In turn, the Monitor also notes that in the context of a forced liquidation, there may be several risk factors which may further negatively impact the net realization value of the Company's assets, including:

- a) The risk that the landlords do not allow a liquidation to take place on the existing store premises, or that the store premises are all or in part closed for weeks or even months due to governmental shutdown orders in connection with the Pandemic;
- b) The stigma of a liquidation which would negatively impact the pricing of inventory;
- c) The inability of a receiver or trustee to make inventory purchases to improve the mix available in stores;
- d) The loss of store personnel; and
- e) The additional professional fees incurred as a result of a liquidation.

66. Accordingly, and based on the foregoing, the Monitor is of the view that the terms and conditions of the Plan are reasonable in the circumstances.

K. THE CREDITOR'S MEETING

67. Below is a summary of the Creditors' Meeting Order, as amended on May 21, 2021.

- a) The Creditors' Meeting will be held by videoconference on July 7, 2021;
- b) The Monitor (or its nominee) will preside as chair of the Creditors' Meeting;
- c) Any Creditor who wishes to appoint a Proxy shall do so prior to the Creditors' Meeting;
- d) Any Affected Creditors who wish to attend the Creditors' Meeting must complete a registration form;
- e) The Monitor has posted on its website the Meeting Materials; and
- f) The Monitor will publish a Notice to Creditors in the French language newspaper *La Presse* and in the English language newspaper *Globe and Mail* on or about June 29, 2021.

68. In the event of a favorable vote on the Plan by the Affected Creditors, the Company intends to file a motion for the issuance of a Sanction Order.

MAGASIN LAURA (P.V.) INC. / LAURA'S SHOPPE (P.V.) INC.

Report of the Monitor on the State of the Debtor's Affairs and the Plan of Compromise and Arrangement

69. The Monitor will report the results of the Creditors' Meeting to the Court at the time of the hearing for the issuance of a Sanction Order which will take place on **July 14, 2021** at **9:30 am** by videoconference.

L. THE MONITOR'S RECOMMENDATIONS

70. In light of the circumstances discussed above, including the Monitor's current estimated net realization analysis, the Monitor is of the view that the terms of the Plan are fair and reasonable, particularly since the Plan is expected to provide a certain recovery to the Affected Creditors, whereas no such recovery is expected in the context of a forced liquidation.. In addition, the successful implementation of the Plan would allow for the continuation of the Company's operations as a going concern, which, in turn, would allow a continuing source of revenues to the Company's suppliers, landlords, employees and lenders.

71. Accordingly, for the reasons set out in this Report, the Monitor recommends the approval of the Plan.

This 21st day of June 2021.

KPMG INC.

in its capacity as the Monitor of
Magasin Laura (P.V.) Inc. / Laura's Shoppe (P.V.) Inc.



Per: Dev A. Coossa, CIRP, LIT
Partner



Maxime Codere, CPA, CA, CIRP, LIT
Partner