

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.**

*Applicant*

- and -

**KPMG INC.**

*Monitor*

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## **FOURTH REPORT OF THE MONITOR**

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

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JANUARY 22, 2021

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## A. INTRODUCTION

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1. On July 27, 2020, Magasin Laura (P.V.) Inc. / Laura's Shoppe (P.V.) Inc. ("**Laura**" or the "**Company**") filed an application for the issuance of (I) a first-day initial order and (II) an amended and restated initial order (the "**Initial CCAA Application**") before the Quebec Superior Court, Commercial Division (the "**Court**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**").
2. On July 27, 2020, KPMG Inc., in its then capacity as proposed monitor, provided the Court with a pre-filing report dated July 27, 2020, (the "**Pre-Filing Report**") in connection with the Company's Initial CCAA Application.
3. On July 31, 2020, the Court granted the Initial CCAA Application, in part, and rendered an initial first day order which provided for, among other things, the appointment of KPMG Inc. as monitor of the Applicants (in such capacity, the "**Monitor**") in these CCAA proceedings (the "**CCAA Proceedings**") and a stay of proceedings until August 10, 2020 (the "**Stay Period**") as well as various priority charges (the "**First-Day Initial Order**").
4. On August 6, 2020, the Monitor provided the Court with its first report as monitor (the "**First Report of the Monitor**") in connection with the Initial CCAA Application.
5. On August 10, 2020, the Court granted the remainder of the relief sought by the Company in the Initial CCAA Application, and 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 until September 25, 2020 as well as increases of the amount of the administration charge (the "**Administration Charge**") and the directors' and officers' charge (the "**Directors' Charge**") previously granted as part of the First-Day Initial Order.
6. On August 21, 2020, the Company filed an *Application for a Claims Procedure Order* (the "**Claims Procedure Application**") seeking the establishment of a claims bar date (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**").
7. On August 26, 2020, the Monitor provided the Court with its second report as Monitor (the "**Second Report of the Monitor**") in connection with the Claims Procedure Application.
8. On August 28, 2020, the Court granted the Claims Procedure Application and rendered an order (the "**Claims Procedure Order**") authorizing the proposed Claims Procedure set out thereunder. In addition, pursuant to the Claims Procedure Order, the Stay Period was extended until October 30, 2020.

9. On September 23, 2020, the Monitor filed an application (the “**Receivership Application**”) seeking its appointment as a receiver pursuant to section 243 of the *Bankruptcy and Insolvency Act* (the “**BIA**”) without security, over a pool of funds of the Company (i.e. 100\$), solely for the purpose of allowing its former employees to receive some recovery pursuant the *Wage Earner Protection Program Act* (the “**WEPPA**”).
10. On September 25, 2020, the Court granted the order appointing a receiver (the “**Order Appointing a Receiver**”).
11. On October 20, 2020, the Company filed an *Application for an extension of the stay of proceedings and for other relief* seeking the extension of the Stay Period until January 29, 2021 (the “**Second Extension**”).
12. On October 22, 2020, the Monitor provided the Court with its third report as Monitor (the “**Third Report of the Monitor**”) in connection with the application for the Second Extension.
13. On October 23, 2020, the Court granted the Order extending the stay of proceedings and granting other relief (the “**Second Extension Order**”) extending the Stay Period up to January 29, 2021.
14. On January 22, 2021, the Company filed an *Application for an extension of the stay of proceedings and for other relief* (the “**Extension Application**”) seeking the extension of the Stay Period until March 31<sup>st</sup>, 2021 (the “**Third Extension**”).
15. This report (the “**Fourth Report of the Monitor**” or “**Report**”) is filed in connection with the Extension Application, and is intended to provide the following information to this Court:
  - a) The terms and reference and disclaimer for the Report (section **B**);
  - b) The Monitor’s activities since the Third Report of the Monitor (section **C**);
  - c) The Company’s restructuring efforts since the filing of the Third Report of the Monitor (section **D**);
  - d) Update on the Claims Procedure (section **E**);
  - e) Laura’s actual receipts and disbursements for the 13-week period ended January 16, 2021, as compared to the corresponding period reflected in the cash flow projections for Laura (the “**Second Cash Flow Forecast**”), previously filed as part of the Third Report of the Monitor (section **F**);
  - f) Overview of cash flow projections for Laura (the “**Cash Flow Forecast**”) for the 13-week period from January 17, 2020, to April 17, 2021 (the “**Cash Flow Period**”) (section **G**);
  - g) The Monitor’s assessment of the Cash Flow Forecast (section **H**);
  - h) The request for extension of the Stay Period (section **I**); and
  - i) The Monitor’s recommendations on the relief sought by the Company (section **J**);

16. The Fourth Report of the Monitor should be read in conjunction with the Pre-filing Report of the Monitor, the First Report of the Monitor, the Second Report of the Monitor and the Third Report of the Monitor which include additional information which has not been duplicated herein.

## **B. RESTRICTIONS AND SCOPE LIMITATIONS**

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17. In preparing this Fourth Report of the Monitor, 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 Fourth Report of the Monitor:
- 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 Fourth Report of the Monitor 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.
18. Future oriented financial information referred to in this Fourth Report of the Monitor 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.
19. The information contained in this Fourth Report of the Monitor is not intended to be relied upon by any prospective purchaser or investor in any transaction with the Company.
20. Unless otherwise stated, all monetary amounts contained in this Fourth Report of the Monitor are expressed in Canadian dollars, which is the Company's common Reporting currency.
21. This Fourth Report of the Monitor does not consider all future impacts of the COVID-19 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 COVID-19 pandemic. Any reference made to the impact of the pandemic on Laura in this Fourth Report of the Monitor 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 COVID-19 pandemic. The full potential impact of the COVID-19 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.

## **C. MONITOR'S ACTIVITIES SINCE THE THIRD REPORT OF THE MONITOR**

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22. Since the issuance of the Third Report of the Monitor, the Monitor has, *inter alia*:

- a) Posted on the Monitor's Website the Third Report of the Monitor, the Application for an extension of the stay of proceedings and for other relief and the Second Extension Order;
- b) Assisted the Company with its communications with suppliers, lenders and other parties;
- c) Responded to telephone calls, emails and inquiries and addressed concerns from creditors and other stakeholders regarding the effect of the CCAA Proceedings and completing the proof of claim forms;
- d) Had numerous exchanges with the Bank of Montreal ("**BMO**");
- e) Provided assistance to the Company in its reporting to BMO in accordance with the forbearance agreement, as amended from time to time, agreed between the Company and BMO (the "**Forbearance Agreement**"):
  - i. Reviewed weekly updates of the Company's cash flow forecast provided to BMO; and
  - ii. Prepared weekly variance analyses on the Company's cash flow forecast provided to BMO.
- f) Reviewed and approved payments made by the Company to key suppliers and service providers in accordance with the First-Day Initial Order and the Amended and Restated Initial Order. At the date of this Report, the total amount paid to key suppliers and service providers since the Third Report of the Monitor (October 22, 2020) amounts to approximately \$693K (total of approximately \$2M since the First-Day Initial Order).
- g) Provided the claim package documents and support to the Company's employees who resigned or were terminated for the filing of their claims and register to the Wage Earner Protection Program ("**WEPP**");
- h) Reviewed proofs of claims, as more detailed in section E hereafter;
- i) Assisted the Company in the preparation of the Cash Flow Forecast; and
- j) Assisted the Company in its discussions and negotiations with BMO and provided to BMO financial analysis on the forecast for the 2022 fiscal year in order to help facilitate:
  - i. The execution of the Third Amending Agreement to the Forbearance Agreement; and
  - ii. Obtaining an additional funding in the amount of \$2,750,000 from the BCAP Program Loan Agreement ("**BCAP Loan**").

## D. THE COMPANY'S RESTRUCTURING EFFORTS SINCE THE THIRD REPORT OF THE MONITOR

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23. Since the Third Report of the Monitor, Laura has:
- a) Continued to operate its business in the normal course while implementing various measures to reduce costs and improve sales. Approximately 101 stores out of the Company's 139 stores are currently closed due to the shutdowns in Québec (since December 25, 2020), in Ontario (since November 23<sup>rd</sup>, 2020 for the Toronto and Peel region; since December 14, 2020, for the York region; and since December 26, 2020, for the remainder of the Ontario province) and in Manitoba (since November 12, 2020) (the "**2<sup>nd</sup> Wave Shutdowns**");
  - b) The Company's on-line business has seen a significant increase in sales since the beginning of the 2<sup>nd</sup> Wave Shutdowns, however this increase is limited compared to the reduction in sales resulting from the store closures;
  - c) Reduced its salary expense by permanently terminating approximately 10 employees. It is to be noted that due to the 2<sup>nd</sup> Wave Shutdowns, some employees working in the stores that are closed were also temporary laid off. Given the changing circumstances in the stores, and due to the nature of the business, employees continue to resign, and in some cases, continue to be terminated as part of the ongoing restructuring process;
  - d) Continued to carry on extensive discussions and negotiations with its landlords. Although new agreements had been reached with most landlords, the lower than anticipated level of sales since the beginning of the 2<sup>nd</sup> wave of the pandemic in October 2020, and to a greater extent since the 2<sup>nd</sup> Wave Shutdowns, resulted in a need to revisit certain of these arrangements;
  - e) Continued its discussions with suppliers with regards to the ongoing sourcing and supply of merchandise; and
  - f) Recently extended its forbearance agreement with its operating lender BMO and at the same time, negotiated and obtained the BCAP Loan in order to have sufficient liquidity notwithstanding the 2<sup>nd</sup> Wave Shutdowns.
24. The Company is currently negotiating with the Business Development Bank of Canada to secure additional funding.

## E. CLAIM PROCEDURE UPDATE

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25. 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 (as defined in the Claims Procedure Order).

26. The Monitor and its counsel, in consultation with the Company and its legal advisors, are in the process of reviewing approximately 600 proofs of claims or amended proofs of claims received, totaling approximately \$47M at face value, including Renegotiated Lease Claims and Disclaimed Lease Claims. The review process is not sufficiently advanced to determine exactly how many claims, and the quantum thereof, will be subject to a Notice of Revision or Disallowance, especially for Renegotiated Lease Claims and Disclaimed Lease Claims as several landlords have not yet filed their claims.
27. In accordance with paragraphs 9 and 10 of the Second Extension Order, which authorized the Monitor to accept and consider proofs of claims filed by employees and creditors of the Company after the Claims Bar Date, to the extent that the Monitor determines it to be fair and appropriate to do so, as at the date of this Report, the Monitor accepted approximately 60 proofs of claims from former employees and 9 proofs of claims from creditors that were filed after the Claims Bar Date.

## **F. CASH FLOW RESULTS RELATIVE TO INITIAL CASH FLOW FORECAST**

28. A table that summarizes the cash receipts and disbursements for the 13-week period ended January 16, 2021, as compared to the Second Cash Flow Forecast, is filed under seal of confidentiality with this Report as Appendix A;
29. As at January 16, 2021, the Company's closing net bank indebtedness was approximately \$10,701,000 which represents a favorable variance of \$9,055,000 compared to the Second Cash Flow Forecast.
30. In addition, between October 18, 2020, and January 16, 2021, the Company had a positive net cash flow of \$2,628,000, which represents a favorable difference of \$9,057,000 compared to the Second Cash Flow Forecast. The primary reasons for the net cash flow variance are summarized below:
  - a) Total cash receipts during the period were \$221,000 lower than forecasted mainly due to:
    - i. Lower sales than forecasted of \$5,347,000 due to the impact of the second wave of the pandemic and the 2<sup>nd</sup> Wave Shutdowns, offset by:
    - ii. New BCAP Loan of \$2,750,000, which was not included in the Second Cash Flow Forecast;
    - iii. Equity Injection of \$1,000,000, which was not included in the Second Cash Flow Forecast; and
    - iv. Higher receipts of \$1,772,000 from the government wage subsidy program and the rent subsidy program than forecasted.
  - b) Total cash disbursements during the period were \$9,057,000 lower than forecasted mainly due to:



- i. Mostly timing difference with regards to lower payments than forecasted for merchandise for \$5,673,000;
  - ii. Permanent favorable difference of \$3,357,000, especially with regards to lower than forecasted disbursements of payroll and deductions at source, rents and contingency, mostly driven by the lower sales than forecasted; and
  - iii. Mostly timing difference, with regards to lower payments than forecasted of professional fees and sales tax remittance for \$402,000;
  - iv. The whole in part offset by timing difference, especially with regards to higher than forecasted payments of general and admin and shipping expenses for \$651,000.
31. The Monitor understands that 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 approximately \$250K of January 2021 rents. As previously mentioned, the Monitor understands that the Company is in discussion with its most important landlords, including with respect to the Company's rent obligations since the commencement of the year. The Company has advised the Monitor that it is hopeful that it will reach satisfactory agreements with such landlords in short order.

## **G. CASH FLOW FORECAST**

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32. The Company has prepared the Cash Flow Forecast which covers the Cash Flow Period. The Cash Flow Forecast is accompanied by the prescribed representations of the Company regarding its presentation, and by notes which support the significant assumptions and hypotheses used in preparing the Cash Flow Forecast. A copy of the Cash Flow Forecast, the prescribed representations of the Company and the notes outlining the assumptions will be filed under seal of confidentiality with this Report as Appendix **B**.
33. The primary assumptions supporting the Cash Flow Forecast are as follows (refer to Appendix **B** for further details on assumptions):
- a) Sales represent collections generated from Laura's brick and mortar stores and online sales. The Cash Flow Forecast assumes that all stores remain open throughout the Cash Flow Period, except for 101 stores in Ontario, Manitoba and Quebec that are currently closed and would reopen on February 7<sup>th</sup>, 2021;
  - b) Government Wage Subsidy represents cash receipts related to the Canadian government's temporary wage subsidy program (due to the Covid-19 pandemic). The Canadian government has publicly announced that the temporary wage subsidy program would be maintained until spring/summer 2021.

- c) The disbursements for merchandise in the Cash Flow Forecast reflect payments based on Laura's latest inventory purchases and receipts projections, subject to payment terms expected to be obtained. In addition and in accordance with the First-Day Order, it also reflects payments for pre-filing obligations owed to certain of the Company's service providers, including its custom brokers, freight forwarders, transporters, and logistic providers ("**Key Service Providers**"), and to certain of the Company's suppliers of merchandise, including certain foreign entities in China ("**Key Suppliers**");
  - d) Also, in accordance with the First-Day Order, the Cash Flow Forecast reflects rental payments to landlords on a bimonthly basis for locations with a fixed monthly rent and on the tenth or fifteenth day of each month for locations with a variable rent based on a percentage of sales; and
  - e) Rent payments are based on contractual rents, renegotiated rents and on further adjustments to renegotiated rents for certain stores where sales are trending below previous forecast to take into account anticipated revised terms.
34. Subject to the continued support of its operating lender, BMO, the Cash Flow Forecast reflects that the Company is projected to have enough cash flow to operate in the normal course during the Cash Flow Period. This includes operational requirements such as payroll, as well as the costs pertaining to the CCAA proceedings. BMO has confirmed to the Monitor its approval of the Cash Flow Forecast.

## **H. MONITOR'S ASSESSMENT OF THE CASH FLOW FORECAST**

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35. The Monitor has assessed the Cash Flow Forecast as to its reasonableness as required by Section 23(1)(b) of the CCAA. Pursuant to this standard, the Monitor's assessment of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by Senior Management and employees of the Company. The Monitor's procedures with respect to the assumptions considered in the Cash Flow Forecast (the "**Cash Flow Assumptions**") were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Monitor also reviewed the supporting Information provided by Senior Management for the Cash Flow Assumptions and the preparation and presentation of the Cash Flow Forecast.
36. Based on the Monitor's review, nothing has come to its attention that causes it to believe, in any material respect that:
- a) The Cash Flow Assumptions are not consistent with the purpose of the Cash Flow Forecast;
  - b) As at the date of this Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Cash Flow Forecast given the Cash Flow Assumptions; or that
  - c) The Cash Flow Forecast does not reflect the Cash Flow Assumptions.

## **I. REQUEST FOR AN EXTENSION OF THE STAY PERIOD**

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37. The Stay Period expires on January 29, 2021. The Company is seeking an extension of the Stay Period to March 31<sup>st</sup>, 2021. This extension will allow the Company to:
- a) Review and analyze, together with the Monitor, the proofs of claims received, especially Renegotiated Lease Claims and Disclaimed Lease Claims, and assist in the resolution of any disputes which may arise relating thereto;
  - b) Continue the implementation of measures to reduce expenses and increase sales in response to the latest challenges posed by the pandemic, in particular in the context of the 2<sup>nd</sup> wave and the 2<sup>nd</sup> Wave Shutdowns in Québec, Ontario and Manitoba;
  - c) Pursue its discussions with its landlords regarding the terms and conditions of certain of its leases; and
  - d) Continue working with the Monitor and BMO to bring forward a Plan that will be satisfactory to its creditors, unless circumstances arise as a result of the pandemic which make it impractical to do so within such time frame.
38. To date, the Company has been acting diligently and in good faith. Senior Management has provided the Monitor with full co-operation and unrestricted access to the Company's books and records upon requests by the Monitor.

## **J. THE MONITOR'S RECOMMENDATIONS**

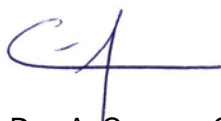
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39. The Monitor is of the view that the extension of the Stay Period until March 31<sup>st</sup>, 2021, is reasonable in the circumstances, namely for the following reasons:
- a) The Company continues to operate its business in the ordinary course and in doing so, the Company has been acting diligently and in good faith;
  - b) The Company intends to finalize and submit a Plan to its creditors, but requires additional time in order to adequately assess the impact on its business of the second wave of the pandemic in Canada; and
  - c) With the support of its operating lender, BMO, the Company will have sufficient liquidity to continue its operations on a going concern basis during the extended Stay Period.

This 22<sup>nd</sup> day of January 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

January 22, 2021

**APPENDIX A – ACTUAL CASH FLOW VS SECOND CASH FLOW  
FORECAST (*UNDER SEAL*)**

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**APPENDIX B – CASH FLOW FORECAST (*UNDER SEAL*)**