

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

FIFTH REPORT OF THE MONITOR

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

FEBRUARY 22, 2021

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A. INTRODUCTION

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* seeking the extension of the Stay Period until March 31st, 2021 (the “**Third Extension**”).
15. On January 25, 2020, the Monitor provided the Court with its fourth report as Monitor (the “**Fourth Report of the Monitor**”) dated January 22, 2020, in connection with the application for the Third Extension.
16. On January 29, 2020, at the request of certain landlords, Laura agreed to reduce the extension of the Stay Period sought from the Court to February 24, 2021. On the same date, the Court granted the Order extending the stay of proceedings (the “**Third Extension Order**”) extending the Stay Period up to February 24, 2021.
17. On February 19, 2021, the Company served an *Application for an extension of the stay of proceedings* (the “**Extension Application**”) seeking the extension of the Stay Period until April 30, 2021 (the “**Fourth Extension**”).
18. This report (the “**Fifth 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 restriction and scope limitations and disclaimer for the Report (section **B**);
 - b) The Monitor’s activities since the Fourth Report of the Monitor (section **C**);
 - c) The Company’s restructuring efforts since the Fourth Report of the Monitor (section **D**);
 - d) Update on the Claims Procedure (section **E**);

- e) Laura's actual receipts and disbursements for the 4-week period ended February 13, 2021, as compared to the corresponding period reflected in the cash flow projections for Laura (the "**Third Cash Flow Forecast**"), previously filed as part of the Fourth Report of the Monitor (section **F**);
 - f) Overview of cash flow projections for Laura (the "**Cash Flow Forecast**") for the 13-week period from February 14, 2021, to May 15, 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**);
19. The Fifth 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, the Third Report of the Monitor and the Fourth Report of the Monitor which include additional information which has not been duplicated herein.

B. RESTRICTIONS AND SCOPE LIMITATIONS

20. In preparing this Fifth 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 Fifth 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 Fifth 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.
21. Future oriented financial information referred to in this Fifth 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.
22. The information contained in this Fifth Report of the Monitor is not intended to be relied upon by any prospective purchaser or investor in any transaction with the Company.

23. Unless otherwise stated, all monetary amounts contained in this Fifth Report of the Monitor are expressed in Canadian dollars, which is the Company's common Reporting currency.
24. This Fifth 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 Fifth 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 FOURTH REPORT OF THE MONITOR

25. Since the issuance of the Fourth Report of the Monitor, the Monitor has, *inter alia*:
 - a) Posted on the Monitor's Website the Fourth Report of the Monitor, the Application for an extension of the stay of proceedings and the Third 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 Fourth Report of the Monitor (January 22, 2021) amounts to approximately \$11K (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; and
 - l) Assisted the Company in the preparation of the Cash Flow Forecast.

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

26. Since the Fourth Report of the Monitors:
- a) The Company has reopened most of its stores and continued to operate its business in the normal course while implementing various measures to reduce costs and improve sales.
 - b) More specifically, since the Monitor's previous report (dated January 22, 2021):
 - i. The 6 stores located in Manitoba that were closed since November 2020, have reopened on January 23, 2021;
 - ii. The 32 stores located in Québec that were closed since December 2020, have reopened on February 8, 2021; and
 - iii. 45 stores located in Ontario that were closed since November and December 2020, have reopened in mid-February, 2021.
 - c) As of the date of this Report, approximately 20 stores out of the Company's 139 stores remain closed due to the shutdowns. The Company expects to reopen 18 stores in Ontario at the end of the applicable lockdown period (i.e. on or about March 8, 2021) and 2 stores in Newfoundland at the end of the applicable lockdown period (i.e. on or about February 25, 2021).
 - d) The Company's on-line sales have continued to significantly increase since the beginning of the 2nd wave shutdowns. However, this increase has been limited in comparison with the reduction in sales resulting from the store closures;
 - e) The Company has continued to carry on discussions and negotiations with its landlords. As previously discussed as part of the Fourth Report of the Monitor, although new agreements had been reached with most of the Company's landlords, the lower than anticipated level of sales in October 2020, and to a greater extent in November and December 2020 and January and February 2021 due to the 2nd wave shutdowns in Manitoba, Ontario and Québec, resulted in a need to revisit certain of these arrangements. These negotiations continued after January 29, 2021, and, as at the date of this Report, the Monitor understands that the negotiations are still ongoing and the Company has advised the Monitor that it is hopeful that it will reach satisfactory agreements with such landlords before the end of the extended Stay Period of April 30, 2021 sought by the Company; and
 - f) Continued its discussions with suppliers with regards to the ongoing sourcing and supply of merchandise.
27. The Company has suspended its negotiation with the Business Development Bank of Canada to secure additional funding.

E. CLAIM PROCEDURE UPDATE

28. There hasn't been any significant change in the claims process since the Monitor's previous report (January 22, 2021).
29. 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 Monitors, mostly for mistake in the calculation of the amounts claimed for Renegotiated Lease Claims. In most part the notices of revision or disallowance were discussed and agreed with the creditors before being sent.
30. 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.
31. Since the Monitor's previous report (January 22, 2021), the Monitor accepted approximately 8 proofs of claims from former employees that were filed after the Claims Bar Date.

F. CASH FLOW RESULTS RELATIVE TO THE THIRD CASH FLOW FORECAST

32. A table that summarizes the cash receipts and disbursements for the 4-week period from January 17, 2021 to February 13, 2021, as compared to the Third Cash Flow Forecast, is filed under seal of confidentiality with this Report as Appendix A;
33. As at February 13, 2021, the Company's closing net bank indebtedness was approximately \$11,140,000 which represents a favorable variance of \$4,015,000 compared to the Third Cash Flow Forecast.
34. Between January 17, 2021, and February 13, 2021, the Company had a negative net cash flow of \$439,000, which represents a favorable difference of \$4,015,000 compared to the Third Cash Flow Forecast. The primary reasons for the net cash flow variance are summarized below:
 - a) Total cash receipts during the period were \$1,848,000 higher than forecasted mainly due higher receipts from sales than forecasted; and
 - b) Total cash disbursements during the period were \$2,168,000 lower than forecasted mainly due to timing difference with regards to lower payments than forecasted for merchandise for \$591,000, shipping for \$426,000 and general and admin for \$1,194,000.

35. 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 some fixed rent and/or percentage rent subject to certain revenue-level guarantees in connection with the January and February, 2021 period. As previously mentioned in this Report, the Monitor understands that the Company remains optimistic that it will reach satisfactory agreements with such landlords during the next requested extension period up to April 30, 2021.

G. CASH FLOW FORECAST

36. 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**.
37. 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 with the exception of 18 Ontario stores, currently closed, and anticipated to reopen on March 8, 2021 and 2 Newfoundland stores, currently closed with a scheduled reopening date of February 25, 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) 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) The rent payments represent payments based on contractual rents and on renegotiated rents for the period of March to May 2021 and represent anticipated payments during the Cash Flow Period in relation to certain unpaid rent for the months of January and February based on anticipated agreements.
38. 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.
39. The forbearance agreement currently in effect expires on February 28, 2021. The Monitor expects it will be further extended. In addition, BMO has confirmed to the Monitor its approval of the Cash Flow Forecast.

H. MONITOR'S ASSESSMENT OF THE CASH FLOW FORECAST

40. 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.
41. 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

42. The Stay Period expires on February 24, 2021. The Company is seeking an extension of the Stay Period to April 30, 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;

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- b) Continue the implementation of measures to reduce expenses and increase sales in response to the latest challenges posed by the pandemic;
 - 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.
43. 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

44. The Monitor is of the view that the extension of the Stay Period until April 30, 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 remains in discussion with certain of its landlords regarding revised terms and conditions of its leases;
 - c) 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
 - d) 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 day of February 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

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

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