

C A N A D A

PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

N° : 500-11-

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

**SUPERIOR COURT**  
(Commercial Division)

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

*Applicant*

- and -

**KPMG INC.**

*Proposed Monitor*

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**PRE-FILING REPORT OF THE PROPOSED MONITOR**  
*(Companies' Creditors Arrangement Act, R.S.C. 1985, C. C-36, As Amended)*

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JULY 27, 2020

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## A. INTRODUCTION

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1. KPMG Inc. (“**KPMG**” or the “**Proposed Monitor**”) has taken cognizance of an application (the “**Application**”) dated July 27, 2020, by Magasin Laura (P.V.) Inc. / Laura’s Shoppe (P.V.) Inc. (“**Laura**” or the “**Company**”) before the Québec Superior Court (the “**Court**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (as amended, the “**CCAA**”), seeking the issuance of a First Day Initial Order as well as an Amended and Restated Initial Order, providing for, *inter alia*:
  - a) a stay of proceedings against the Company and its directors and officers;
  - b) the appointment of KPMG as monitor to the Company;
  - c) an administration charge;
  - d) a directors’ and officers’ charge;
  - e) an authorization to pay pre-filing debts of key service providers and key suppliers; and
  - f) an authorization to pay its rent on a bi-monthly basis.
  
2. The purpose of this report (the “**Report**”) is to provide the following information to this Court:
  - a) The terms and reference and disclaimer for the Report (section **B**);
  - b) KPMG’s qualifications to act as Monitor (section **C**);
  - c) Background information and an overview of the Company’s restructuring efforts to date (section **D**);
  - d) The Proposed Monitor’s activities to date (section **E**);
  - e) Cash Management System (section **F**);
  - f) Overview of the cash flow projections for Laura (the “**Cash Flow Forecast**”) for the 13-week period from July 26, 2020, to October 24, 2020 (the “**Cash Flow Period**”) (section **G**);
  - g) The Proposed Monitor’s assessment of the Cash Flow Forecasts (section **H**);
  - h) The Proposed Monitor’s position on the proposed court ordered charges sought by the Company in the Motion (section **I**);
  - i) The Company’s contemplated restructuring measures (section **J**);
  - j) The Proposed Monitor’s recommendations on the relief sought by the Company in the Application (section **K**);
  
3. A more detailed description of the business operations of the Company and background of its restructuring efforts to date is provided in the Application. Certain information in respect of the Company is summarized below.

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

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4. In preparing this Report, the Proposed 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 Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed 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 Proposed 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 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.
5. 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.
6. 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.
7. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars, which is the Company’s common Reporting currency.
8. This Report 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 Report is based entirely on preliminary discussions and are not to be interpreted as an exhaustive and/or accurate assessment of the full impact of the COVID-19 pandemic. The 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 and cannot be quantified at this time.

### **C. KPMG'S QUALIFICATIONS TO ACT AS MONITOR**

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9. KPMG is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada).
10. At no time during the preceding two years has KPMG been:
  - a) A director, officer or employee of the Company;
  - b) Related to the Company or to any former director or officer of the Company; or
  - c) The Company's auditor, accountant or legal counsel, or a partner or employee of the auditor, accountant or legal counsel of the Company.
11. Moreover, KPMG is not a trustee under a trust indenture issued by the Company, or any person related to the Company, and is not a holder of a power of attorney granted by the Company or by any person related to the Company. KPMG is not related to a trustee or holder of a power of attorney noted above.
12. KPMG is qualified to act as Monitor and there is no restriction on KPMG being appointed Monitor in these CCAA proceedings.
13. KPMG is a wholly owned subsidiary of KPMG LLP, a Canadian professional services firm providing, among other things, audit, tax and advisory services. KPMG LLP is the Canadian member firm of KPMG International Co-operative, a Swiss entity. The senior KPMG professional personnel with the carriage of this matter includes experienced insolvency and restructuring practitioners, including Chartered Accountants, Chartered Insolvency and Restructuring Professionals and/or Licensed Insolvency Trustees (Canada), who have acted in restructurings and CCAA matters of a similar nature and scale in Ontario, Québec and other provinces in Canada.
14. KPMG's team has extensive experience acting as monitor under CCAA proceedings in a wide variety of industries, including specifically in the retail sector.
15. KPMG is familiar with the Company, its management team and its stakeholders. KPMG has provided restructuring consulting services and has assisted the Company in preparing for filing of its Application pursuant the CCAA.
16. In fact, KPMG was previously appointed by the Court as the monitor of the Company's in the context of its CCAA proceedings commenced in August 2015 ("**First CCAA**"), which culminated in a successful plan of arrangement approved by an overwhelming majority of its creditors.
17. Given KPMG's qualifications and background knowledge of the business and financial status of the Company, the Company has requested that KPMG act as Monitor.
18. KPMG has consented to act as Monitor of the Company should this Honourable Court grant the Application.
19. KPMG has retained Stikeman Elliott LLP ("**Stikeman**") to act as its independent counsel in the context of the Company's CCAA Proceedings.

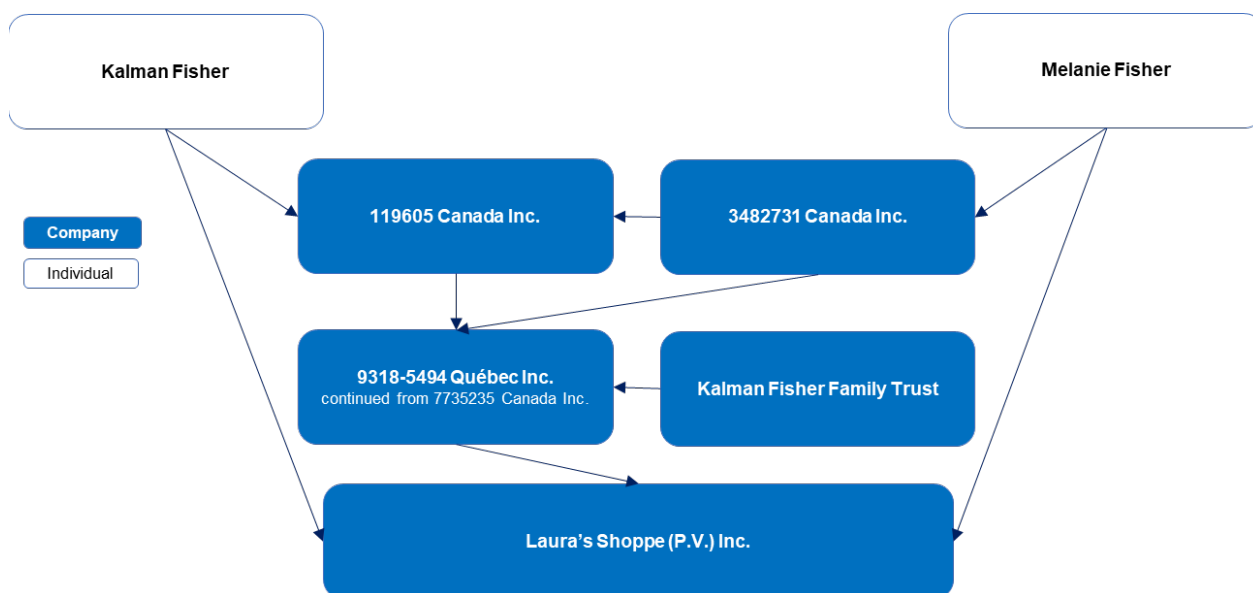
20. KPMG has consented to act as Monitor of the Company should this Honourable Court grant the Application.

#### D. BACKGROUND INFORMATION AND OVERVIEW OF THE COMPANY'S RESTRUCTURING EFFORTS TO DATE

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##### *Corporate Structure*

21. Laura is incorporated pursuant to the *Québec Business Corporations Act*.
22. 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.
23. Laura's sole director is Mr. Kalman Fisher, who is also the president of the Company.
24. The following corporate chart summarizes the Company's corporate structure:



25. The Proposed Monitor is satisfied that it is appropriate in the circumstances to pursue proceedings in the district of Montreal, by reason, *inter alia*, of the fact that Laura has elected its domicile in Montréal, and has several stores and employees located in Montreal. Moreover, several of the Company's most significant creditors have head offices and/or significant operations in Montréal. Also, the Proposed Monitor and the Company anticipate that the initial filing stage as well as subsequent stages of the proposed restructuring process will entail time-sensitive, complex, multi-party and significant decision-making, court filings and court hearings in respect of various relief to be sought, such that the existence and expertise of the dedicated Commercial Division of the Superior Court in the Judicial District of Montréal is essential.

**Operations & Employees**

26. Laura is a women's clothing retailer operating 140 stores, including liquidation stores, predominantly in shopping malls, under the banners "Laura" and "Melanie Lyne", all located in Canada. The breakdown by province of the Company's stores is as follows:

Retail Stores by Province										
	ON	QC	AB	BC	MB	SK	NS	NL	NB	Total
# of stores	64	32	18	12	6	3	2	2	1	140

27. A significant number of the Company's stores are leased from national landlords.
28. The Company also sells its merchandise through two e-commerce sites: [www.laura.ca](http://www.laura.ca) and [www.melanielyne.com](http://www.melanielyne.com).
29. Prior to the COVID-19 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).
30. However, because of the COVID-19 pandemic, the Company was left with no choice but to temporarily lay off 100% of its retail employees, and 43% of its head office employees, who did not have work to do in the absence of ongoing store operations.
31. Since reopening, the Company has been able to hire back approximately 52% of its retail employees and 30% of its head office employees and is operating with approximately 55% of its pre-pandemic staff.
32. In total, the Company currently employs approximately 1,063 people (843 people in the stores and 220 people at the head office). The current breakdown by Province of the Company's employees is as follows:

Employees by Province										
	ON	QC	AB	BC	MB	NS	NL	SK	NB	Total
# of Store Level Employees	374	149	143	80	49	12	9	22	5	843
# of Head Office Employees	-	220	-	-	-	-	-	-	-	220
<b>Total</b>	<b>374</b>	<b>369</b>	<b>143</b>	<b>80</b>	<b>49</b>	<b>12</b>	<b>9</b>	<b>22</b>	<b>5</b>	<b>1,063</b>

33. The Company is current in the payment of wages and intends to continue honouring its current employees' vacation in the ordinary course of business. Deductions at source from employees' salaries are made, where applicable, and remittances thereof are current. The Company does not have any pension plan.

**Financial Situation**

34. While the Company has recorded net profits during the last two (2) completed fiscal years ended February 1, 2020, and February 2, 2019, the Company has incurred a net loss for the first five (5) months of the current fiscal year. A summary of the Company's results for the fiscal year 2019, 2020 and for the first five (5) months of the current fiscal year will be filed under seal of confidentiality with this Report as Appendix "A".
35. As at July 4, 2020 (June 2020 month end per the National Retail Calendar), per the Company's unaudited internal financial statements, its total assets had a book value of \$86.8 million as summarized in the following table:

<b>Assets' Key figures (Book Value)</b>	
<b>('000,000)</b>	<b>July 4, 2020</b>
	<b>(Internal)</b>
Inventories (approx. \$5 million of 2019 goods)	38,2
Leasehold improvements	30,7
Intellectual property	3,7
Other	14,2
<b>Total assets</b>	<b>86,8</b>

36. The Company's other assets are mainly composed of accounts receivables, prepaid expenses, supplies, deferred income tax, cash float and equipment.
37. A significant part of Laura's assets, including leasehold improvements, intellectual property and some equipment have a limited realization value in the context of an orderly liquidation.
38. As at July 4, 2020, per the Company's internal unaudited financial statements, its total liabilities amounted to \$103.4 million.

<b>Liabilities' Key figures (Book Value)</b>	
<b>('000,000)</b>	<b>July 4, 2020</b>
	<b>(Internal)</b>
Accounts payable and accrued liabilities	32,7
Income taxes payable	1,9
Revolving facility	11,7
Long-term debt	13,2
Subordinated debt (Due to shareholders)	22,8
Obligations under capital leases	1,8
Deferred lease liabilities and inducements	19,3
<b>Total Liabilities</b>	<b>103,4</b>

39. The balance sheet as at July 4, 2020, will be filed under seal of confidentiality with this Report as Appendix "B".
40. The Company's operating lender is Bank of Montréal ("**BMO**"), which has security over the universality of its assets (the "**BMO Security**"), and with whom the Company has entered into a forbearance agreement on July 24, 2020 (the "**Forbearance Agreement**"). Laura's indebtedness to BMO as at July 24, 2020, includes:
- a) \$11,183,880, pursuant to an asset-based lending facility (the "**ABL Facility**");



- b) \$6,944,444.42, pursuant to a term loan agreement (the “**Term Loan**”); and
  - c) \$6.25 million, pursuant to the Business Credit Availability Program (“**BCAP Loan**”) in the form of a loan of \$6.25 million by BMO, which is 80% guaranteed by the Business Development Bank of Canada (“**BDC**”) and which required Laura’s shareholders to contribute an injection of \$750,000 into the Company.
41. The BCAP Loan was obtained in an effort to get through the current pandemic crisis.
42. Laura is also indebted to entities related to the Fisher family, in the amount of \$22.007 million, plus interest thereon since June 2019 at 7% per annum, and the aforesaid amount of \$750,000 with interest thereon since May 2020 at 6.95% per annum, which amounts are partially secured by a hypothec on the universality of Laura’s assets which has been subordinated in favour of the BMO Security.
43. Laura has also granted security on various leasehold improvements and fixed assets located in certain stores, which security has been subordinated in favour of the BMO Security, as well as certain discrete security on specific electronic devices and vehicles.
44. In addition to its secured debt, Laura’s most significant unsecured creditors include:
- a) Landlords: Laura has not paid rent for April, May, June and July 2020, which, if determined to be owing, cumulatively totals approximately \$13.4 million, not including the variable rent for July, for stores where rent is determined based on a percentage of the previous months’ sales. It should be noted that in light of recent jurisprudence, rent for the stores during the period of government shutdown may not be owing by Laura;
  - b) Other creditors: approximately \$10.6 million, owed predominately to suppliers; and
  - c) Customers, through loyalty programs: approximately \$2.1 million.
45. An independent review of the validity, enforceability and ranking of the foregoing security interests and loan documentation has yet to be conducted.

***Events Leading to the Financial Difficulties Requiring the Relief Sought***

46. Laura emerged from the First CCAA as a stronger business, which had been successfully operating in the rapidly changing retail landscape until very recently, when its operations were blindsided by the unprecedented and unforeseeable COVID-19 pandemic.
47. 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.
48. 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.

49. 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.
50. As of July 1, 2020, all the stores had reopened.
51. Nevertheless, the Covid-19 pandemic has caused a sharp decrease in sales, including for the period following the reopening of its stores. The breakdowns of the variation in sales expressed in percentage over the similar period for prior year is as follows:

<b>%variation of Sales 2020 compared to prior year 2019</b>						
	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>2-week July</b>	<b>Total</b>
Store Sales	(73,2%)	(100,0%)	(94,4%)	(71,0%)	(55,0%)	(75,2%)
Online Sales	(34,9%)	(35,1%)	(12,7%)	(2,4%)	32,0%	(19,4%)
	<b>(69,9%)</b>	<b>(93,7%)</b>	<b>(86,3%)</b>	<b>(64,4%)</b>	<b>(47,0%)</b>	<b>(70,4%)</b>

52. Since the reopening of all the Company's stores, Laura has been operating at approximately 45% in the aggregate in terms of operations and sales in stores. However, a significant level of fixed costs is causing liabilities to accumulate well beyond the Company's revenues.
53. Laura does not qualify for the Canada Emergency Commercial Rent Assistance program, which is only available to small businesses.
54. Since the pandemic, for the months of March to July 2020, Laura has generated negative earnings before interest, taxes, depreciation and amortization (EBITDA).
55. In summary, Laura has incurred and is continuing to incur substantial losses from operations, to the point where the Company is expecting to run out of liquidity imminently.
56. Without the continued support of its operating lender (BMO), Laura is not in a position to meet its obligations as they become due. The Proposed Monitor has been informed that as a result of the pandemic, BMO agreed to waive certain covenants in the ABL Facility until September 2020 and granted a temporary moratorium on the principal payments of the Term Loan until November 2020.

## **E. THE PROPOSED MONITOR'S ACTIVITY TO DATE**

57. Prior to these proceedings, KPMG has been assisting the Company to assess its financial situation, explore restructuring avenues and strategic options together with the Company's Senior Management and some of its stakeholders. KPMG is familiar with the Company's assets, businesses and personnel and has obtained significant information in respect of the many issues faced by the Company in its restructuring efforts.
58. KPMG assisted and continues to assist the Company with the preparation of cash flow forecasts and its restructuring efforts.

## **F. CASH MANAGEMENT SYSTEM**

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59. Under the terms of the credit agreements with BMO, the Company uses a cash management system whereby its daily payables are paid from its checking account, by way of funds that are deposited therein from its ABL Facility by BMO, following a drawdown request, and its daily receipts are deposited in blocked accounts and applied daily against amounts owing under the ABL Facility (the “**Cash Management System**”).
60. Laura intends to continue throughout the CCAA proceedings to utilize the current Cash Management System, the whole subject to the oversight of the Proposed Monitor.

## **G. CASH FLOW FORECASTS & PROPOSED PAYMENTS TO KEY SERVICE PROVIDERS AND KEY SUPPLIERS**

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61. 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 Forecasts, the prescribed representations of the Company and the notes outlining the assumptions will be filed under seal of confidentiality with this Report as Appendix **C**.
62. The primary assumptions supporting the Cash Flow Forecast are as follows (refer to Appendix **C** for further details on assumptions):
- a) The Cash Flow Forecast 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**”).
    - i. Some of these Key Service Providers and Key Suppliers may have a right of retention or a lien on the Company's inventory, and the continued provision of goods and services from all of the Key Service Providers and Key Suppliers has been deemed by the Company to be essential to ensure the continuous supply of essential goods and services.
    - ii. The payments foreseen being made to Key Service Suppliers and Key Suppliers are not significant in the aggregate. If the Company is authorized to pay the claims of some of these Key Service Suppliers, the Proposed Monitor will review, supervise and approve all such payments to be made, to ensure that they are reasonable and appropriate in the circumstances in order to ensure the ongoing operations of the Company;

- b) The Cash Flow Forecast reflects rental payments to landlords on a bimonthly basis, as opposed to a monthly 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. Due to its cash flow restraints, Laura will request this Court to declare that with respect to its Fixed Rent Stores, it shall pay rent spread out over equal payments on the first and fifteenth day of each month, payable in advance (and not in arrears) for the period commencing from and including August 1, 2020.
63. Subject to the continued support of its operating lender, BMO, the Cash Flow Forecasts reflect 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. The Proposed Monitor has been informed by the Company and BMO that a forbearance agreement was entered on July 24, 2020, to, inter alia, allow the Company to continue its operations on a going concern basis during the CCAA proceedings.

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

64. The Proposed 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 Proposed 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 Proposed 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 Proposed 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.
65. Based on the Proposed 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. COURT ORDERED CHARGES SOUGHT IN THE PROPOSED INITIAL ORDER**

66. The Proposed Initial Order provides for a series of Court-ordered priority charges (together, the “Charges”).

### ***Administration Charge***

67. The Proposed Initial Order provides for an Administration Charge in favour of Fishman Flanz Meland Paquin LLP counsel to the Company, the Proposed Monitor and its counsel Stikeman, as security for their respective fees and disbursements relating to services rendered in respect of the Company in the CCAA Proceedings, up to a maximum of \$150,000 for the initial 10 days stay period and \$750,000 thereafter with the priority described in paragraph 74 of this Report.

68. The Proposed Monitor is of the view that the Administration Charge is reasonable and appropriate in the circumstances having regard to the complexity of the proceedings, anticipated work levels of the applicable professional firms and the quantum of similar charges having been granted in comparable cases.

### ***D&O Charge***

69. The proposed D&O Charge aims to provide protection to directors and officers for certain liabilities incurred by the Company that may result in post-filing claims against the directors and officers in such capacities.

70. The draft Initial Order provides for a D&O Charge in the amount of \$1,600,000 for the first 10 days and \$5,000,000 afterward, which D&O Charge is to rank subordinate to the Administration Charge and the BMO Security.

71. It is the Proposed Monitor’s understanding that the Company’s current D&O insurance policy (the “**D&O Insurance**”) was just renewed and therefore expires on June 1, 2021, but may not be sufficient to adequately protect the directors and officers against the liability they could incur in the context of the restructuring under the CCAA.

72. The Proposed Monitor understands that, in accordance with section 11.51 CCAA, the D&O Charge sought will only be available to the directors and officers of the Company in the event and to the extent that recourse to such charge becomes necessary by reason, *inter alia*, of the definitive expiry or lapsing of the D&O Insurance or the underlying policy, of insufficient coverage thereunder, or in the event that, for any other reason (other than for gross or intentional fault), coverage is denied.

73. Consequently, the Proposed Monitor is of the view that the D&O Charge is reasonable and appropriate in the circumstances.

### ***Priority of Charges***

74. The Proposed Initial Order provides for the following priority of the Charges:
  - a) First – the Administration Charge;
  - b) Second – the BMO Security; and
  - c) Third – the D&O Charge.
75. Under the Proposed Initial Order, the priorities in respect of the Charges shall rank in priority to any and all other hypothecs, mortgages, liens, security interests, priorities, charges, encumbrances or security of whatever nature or kind (collectively, the “**Encumbrances**”) affecting the Property, whether or not charged by such Encumbrances.
76. The Proposed Monitor has been informed that other secured creditors have subordinated their security in favour of the BMO Security and/or only hold security or benefit from capital leases in respect of certain discrete assets such as vehicles or electronic devices.
77. The Proposed Monitor is informed that BMO, the operating lender and first-ranking secured creditors and the party most likely to be affected by the Charges sought by Company in the First-Day Initial Order, has been duly notified.
78. The Proposed Monitor is informed that BMO supports the relief sought in the Application, and consents to the granting of the Charges herein described.

### **J. UPCOMING RESTRUCTURING MEASURES**

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79. As this preliminary stage, it is not possible to unveil a comprehensive restructuring strategy in respect of the Company, as further analysis, discussions and negotiations still need to be held to determine if a going concern solution can be developed. However, the restructuring process is likely to include:
  - a) Discussions and negotiations with landlords to determine which leased locations will be retained and which will be subject to a disclaimer and resiliation;
  - b) Undertaking a claim process;
  - c) Negotiations of the terms of settlement with the creditors; and
  - d) Implementation of a plan of compromise or arrangement.

**K. THE PROPOSED MONITOR'S RECOMMENDATIONS**

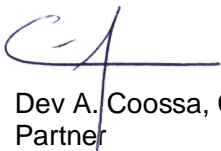
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80. The Proposed Monitor respectfully makes the following preliminary observations and recommendations to this Honourable Court.
81. The Proposed Monitor has been involved in this matter for a limited period. However, in that time, KPMG has received background information which has allowed it to ascertain the general status and financial circumstances of the Company.
82. The Company's request to have the Charges approved, to be able to pay certain pre-filing claims of Key Service Providers and Key Suppliers and to pay its rent obligations on a bimonthly basis going forward appear reasonable in the circumstances and the Proposed Monitor is of the view that such relief may enhance the probability that the Company will be able to restructure its business operations and eventually make a viable plan of compromise and arrangement.
83. The Proposed Monitor has reviewed the Company's filing materials and has consented to act as the Monitor of the Company should the Court see fit to grant the relief sought by the Company.
84. The Proposed Monitor confirms that:
- a) The Company has acted and is continuing to act in good faith with due diligence; and
  - b) The Company will likely be able to continue its restructuring efforts and file a plan of arrangement if the Proposed Initial Order is granted.

All of which is respectively submitted to this Honourable Court this 27<sup>th</sup> day of July 2020.

**KPMG INC.**

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

  
Per: Dev A. Coossa, CIRP, LIT  
Partner

**APPENDIX A      RESULTS FOR THE FISCAL YEAR 2019 TO  
2020 AND THE FIRST FIVE MONTHS PERIOD  
OF THE FISCAL YEAR 2021 (*UNDER SEAL*)**

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**APPENDIX B      HISTORICAL BALANCE SHEET (*UNDER SEAL*)**

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**APPENDIX C      CASH FLOW FORECAST (*UNDER SEAL*)**

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