

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

SEVENTH REPORT OF THE MONITOR

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

MAY 20, 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 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 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 "**ARIO**") 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 priority charges (i.e. the "Administration Charge" and 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 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* 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* .

10. On September 25, 2020, the Court granted the Receivership Application and rendered an order appointing KPMG Inc. as receiver over a pool of funds of the Company (i.e. 100\$).
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 Stay Extension Application**”).
12. On October 22, 2020, the Monitor provided the Court with its third report as Monitor in connection with the Second Stay Extension Application.
13. On October 23, 2020, the Court granted the Second Stay Extension Application and rendered an 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 Stay Extension Application**”).
15. On January 25, 2021, the Monitor provided the Court with its fourth report as Monitor dated January 22, 2021, in connection with the Third Stay Extension Application.
16. On January 29, 2021, 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 an order extending the Stay Period to February 24, 2021.
17. On February 19, 2021, the Company filed an *Application for an extension of the stay of proceedings* (the “**Fourth Stay Extension Application**”) seeking the extension of the Stay Period until April 30, 2021.
18. On February 22, 2021, the Monitor provided the Court with its fifth report as Monitor dated February 22, 2021, in connection with the Fourth Stay Extension Application.
19. On February 24, 2021, the Court granted the Fourth Stay Extension Application and rendered an order extending the Stay Period to April 30, 2021.
20. On March 29, 2021, the Company filed 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* (the “**Plan Filing Application**”) seeking the Court’s authorization for the filing of a plan of compromise and arrangement (the “**Plan**”) and the calling of a creditors’ meeting (the “**Creditors’ Meeting**”) for the purpose of allowing the Company’s creditors affected by the Plan to consider and, if deemed appropriate, vote in favour of the Plan and to extend the Stay Period to May 31, 2021.
21. On March 30, 2021, the Monitor provided the Court with its sixth report as Monitor (the “**Sixth Report**”) dated March 30, 2021, in connection with the Plan Filing Application.
22. On April 1, 2021, the Court granted the Plan Filing Application (the “**Plan Filing Order**”) and the Stay Period was extended to May 31, 2021.

23. On May 14, 2021 the Company filed an *Application for an order extending the date of the creditors' meeting and extending the stay of proceedings* (the "**Meeting Extension Application**").
24. This report (the "**Seventh Report**" or "**Report**") is filed in connection with the Meeting Extension Application, and is intended to provide the following information to this Court:
- a) The Monitor's activities since the Sixth Report (section **C**);
 - b) The Company's restructuring efforts since the Sixth Report (section **D**);
 - c) Update on the Claims Procedure (section **E**);
 - d) Laura's actual receipts and disbursements for the 8-week period ended May 8, 2021, as compared to the corresponding period reflected in the cash flow projections for Laura (the "**Fifth Cash Flow Forecast**"), previously filed as part of the Sixth Report (section **F**);
 - e) Overview of cash flow projections for Laura (the "**Cash Flow Forecast**") for the 13-week period from May 9, 2021, to August 7, 2021 (the "**Cash Flow Period**") (section **G**);
 - f) The Monitor's assessment of the Cash Flow Forecast (section **H**);
 - g) The request for extension of the Creditors' Meeting and the Stay Period (section **I**); and
 - h) The Monitor's recommendations on the relief sought by the Company (section **J**);
25. The Seventh Report should be read in conjunction with all of its previous reports filed with the Court as part of the CCAA Proceedings, which include additional information which may not have been duplicated herein.

B. RESTRICTIONS AND SCOPE LIMITATIONS

26. In preparing this Report as well as its previous reports filed with the Court as part of the CCAA Proceedings, 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 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 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.
27. 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.
28. 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.
29. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars, which is the Company's common Reporting currency.
30. 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 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 SIXTH REPORT

31. Since the issuance of the Sixth Report, the Monitor has, *inter alia*:
- a) Posted on the Monitor's Website the Sixth Report, the Plan Filing Application and the Plan Filing 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) Since the Sixth Report (March 30, 2021), the Company has not submitted to the Monitor any request to approve the payments of any pre-filing claims to Key Suppliers and Key Service Providers (as defined in the First Day Initial Order), as permitted by the Court as part of the First Day Initial Order and the Amended and Restated Initial Order. As at the date of this Sixth Report, the total amount of pre-filing claims paid by the Company to Key Suppliers and Key Service Providers since the issuance of the First Day Initial Order is approximately \$2M.
- 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 registering to the Wage Earner Protection Program ("WEPP"); and
- h) Reviewed proofs of claims, as more detailed in section **E** hereafter.

D. THE COMPANY'S RESTRUCTURING EFFORTS SINCE THE SIXTH REPORT

32. Since the Sixth Report, the Company has:

- a) Temporarily closed 71 stores due to government shutdowns in Ontario, Québec and Nova Scotia as furthermore detailed in section **I** of this Report;
- b) At the date of this Report, of the 71 stores that were shutdown, the Company reopened 6 stores;
- c) Continued to carry on discussions and negotiations with its landlords. As previously discussed as part of the previous reports 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 from November 2020 to May 2021 due to the second and third wave shutdowns in Manitoba, Ontario and Québec, resulted in a need to revisit certain of these arrangements. As at the date of this Report, the Monitor understands that acceptable arrangements have been agreed with most of the landlords in respect of the aforesaid periods; and
- d) Continued its discussions with suppliers with regards to the ongoing sourcing and supply of merchandise.

E. CLAIMS PROCEDURE UPDATE

33. There hasn't been a significant change in the claims process since the Monitor's previous report (March 30, 2021). The Sixth Report provides in-depth details and updates on the claim process as of March 25, 2021. However, the current status (as of May 17, 2021) is summarized as follows:
- a) The Monitor has reviewed:
 - i. A total of 829 claims for an aggregate amount of \$54,7 million and has accepted a total of 817 claims for an aggregate amount of \$45,5 million;
 - ii. 272 claims (130 claims pursuant to section 6(5); and 142 unsecured claims) for an aggregate amount of \$1,2 million that were filed after the Claims Bar Date, all of which were accepted by the Monitor. 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
 - iii. 276 claims for an aggregate amount of \$94,000 pursuant to section 6(5) of the CCAA. It is to be noted that these claims are unaffected by the Plan.
 - b) The Monitor has estimated that approximately 80 additional claims for an aggregate amount of \$7,9 million could be filed by former employees and landlords for Renegotiated Lease Claims;
 - c) The quantum of the total claims filed and to be filed was estimated at \$53,3 million; and
 - d) The Monitor has issued 36 notices of revision or disallowance. In all cases, the 15 days period to dispute the Monitor's decision has expired and no motion to appeal any notice of disallowance issued by the Monitor has been filed.
34. Since March 25, 2021, 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 and notices of revision or disallowance were sent by the Monitors to four (4) key suppliers for proofs of claim filed with amount claimed that had been paid after the Determination Date (as defined in the Plan).
35. As things currently stand, the review process is not sufficiently advanced to determine exactly how many claims, and the final quantum thereof, especially because some landlords with Renegotiated Lease Claims have not yet filed their claims.
36. Since March 25, 2021, the Monitor accepted approximately 56 proofs of claims from former employees that were filed after the Claims Bar Date.

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

37. A table that summarizes the cash receipts and disbursements for the 8-week period from March 21, 2021 to May 8, 2021, as compared to the Fifth Cash Flow Forecast, is filed under seal of confidentiality with this Report as Appendix **A**;
38. As at May 8, 2021, the Company's closing net bank indebtedness was approximately \$13,421,000 which represents an unfavorable variance of \$264,000 compared to the Fifth Cash Flow Forecast.
39. Between March 21, 2021, and May 8, 2021, the Company had a negative net cash flow of \$1,207,000, which represents an unfavorable variance of \$259,000 compared to the Fifth Cash Flow Forecast, resulting in part from:
- a) Lower than forecasted sales during this period mostly due to the Ontario and Quebec stores shutdowns, partially offset by,
 - b) Favorable timing differences due to lower than forecasted payments for goods, rents and other services. Some of these timing differences will reverse in subsequent periods.
40. The Company also saw a reduction in its payroll expenses due to the store shutdowns and received more government subsidies (wage and rents) than forecasted due to the lower sales than forecasted.
41. 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, as previously mentioned in this Report, of some fixed rent and/or percentage rent subject to certain revenue-level guarantees in connection with the January to May 2021 period.

G. CASH FLOW FORECAST

42. 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**.
43. 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 63 Ontario stores presumed closed (government mandated) until June 3rd, 2021 and 2 Nova Scotia stores presumed closed (government mandated) until May 26th, 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 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 Initial 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 Initial 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 May to July 2021 and represent anticipated payments during the Cash Flow Period in relation to certain unpaid rent for the months of January to May 2021, based on anticipated agreements.
44. 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.
45. The Forbearance Agreement currently in effect expires on June 30, 2021, and 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

46. 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.

47. 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 DATE OF THE CREDITORS' MEETING AND THE STAY PERIOD

48. The Plan Filing Order provided that a Creditors' Meeting would have to be convened on April 30, 2021, or such other date during the 30 days immediately thereafter.
49. At the time of the hearing of the Plan Filing Application, on April 1, 2021, all 139 stores of the Company were open and operating in the normal course.
50. However, since the April 1, 2021 hearing, the third wave of the Covid-19 pandemic intensified beyond expectations and the following 71 stores were shutdown by the Québec, Ontario and Nova-Scotia governments:
- a) Québec City and Lévis (Province of Québec): 4 stores were shutdown from April 2 to May 9, 2021;
 - b) Gatineau (Province of Québec): 2 stores were shutdown from April 2 to May 16, 2021;
 - c) Province of Ontario: 63 stores were shutdown since April 8 and are expected to reopen on June 3, 2021; and
 - d) Province of Nova Scotia: 2 stores were shutdown since April 25, 2021 and are expected to reopen on May 26, 2021.
51. Given these shutdowns and the lack of full visibility as to the course of the pandemic and its impact on retail shopping in the near term, the Company considers it prudent to seek an extension of the date on which such Creditors' Meeting should take place; As things currently stand, the Company expects to be in a position to hold the Creditors' Meeting on or before July 23, 2021.
52. In addition, the Stay Period is currently set to expire on May 31, 2021. The Company is therefore also seeking an extension of the Stay Period to July 30, 2021.
53. This extension of the Stay Period should allow the Company to have sufficient time to hold the Creditors' Meeting and obtain a final Sanction Order following the Creditors' Meeting, should the Plan be approved by the statutory majority of creditors of the Company as required by the CCAA.
54. 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


55. The Monitor is of the view that the extension of the Creditors' Meeting date until July 23, 2021, is reasonable in the circumstances due to the lack of full visibility as to the course of the pandemic and its impact on retail shopping in the near term.
56. The Monitor is of the view that the extension of the Stay Period until July 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 needs additional time to hold its Creditors' Meeting and obtain a final Sanction Order in the event that the Plan is approved by the creditors; 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 proposed extended Stay Period.

This 20th day of May 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 FIFTH CASH FLOW
FORECAST (*UNDER SEAL*)**

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