ksv advisory inc.

First Post Plan Implementation Report of KSV Restructuring Inc. Pursuant to Section 8.1 of the Plan of Compromise and Arrangement Dated December 16, 2021 of Rosebud Creek Financial Corp., 957855 Alberta Ltd. and Metro 360 General Partnership

August 9, 2022

Contents

COURT FILE NO.: CV-20-00642783-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 957855 ALBERTA LTD. (FORMERLY NEWSWEST INC.) AND ROSEBUD CREEK FINANCIAL CORP. IN RESPECT OF METRO 360 GENERAL PARTNERSHIP

FIRST POST PLAN IMPLEMENTATION REPORT OF KSV RESTRUCTURING INC. AS CCAA MONITOR

AUGUST 9, 2022

1.0 Introduction

1. Rosebud Creek Financial Corp. ("Rosebud") and 957855 Alberta Ltd. ("957") (jointly, the "Partners") are holding companies and the partners of Metro 360 General Partnership ("Metro", and together with the Partners, the "CCAA Entities").

2. On April 6, 2020, each of the Partners filed a Notice of Intention to Make a Proposal pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act* Canada), as amended (the "NOI Proceedings"). KSV Restructuring Inc. ("KSV") was appointed the proposal trustee (the "Proposal Trustee") in the NOI Proceedings.

3. On June 17, 2020, the Partners obtained an Initial Order[1] from the Ontario Superior Court of Justice (Commercial List) (the "Court"), among other things, taking up and continuing the NOI Proceedings under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA") and appointing KSV as monitor (the "Monitor").

4. Pursuant to the CCAA, the CCAA Entities filed a Plan of Compromise and Arrangement dated December 16, 2021, as amended, and as it may be further amended, modified, varied and/or supplemented in accordance with its terms, the "Plan".

5. The Plan was unanimously accepted by Affected Creditors at a meeting conducted on December 16, 2021. Pursuant to a Court order made on January 14, 2022 (the "Sanction Order"), the Court, *inter alia,* sanctioned and approved the Plan. The Plan was implemented on February 9, 2022 (the "Plan Implementation Date"). A copy of the Plan can be found here: Plan.

6. Section 8.1 of the Plan requires the Monitor to file a report with the Court at least every six months after the Plan Implementation Date. This is the Monitor's first report since the Plan Implementation Date.

[1] Capitalized terms not defined in this Report have the meanings ascribed to them in the Plan.

7. Additional information regarding the CCAA Entities, the Plan and these proceedings can be found in the affidavits sworn by Daniel Shapiro, the CCAA Entities' President and Chief Executive Officer, and in the prior reports filed by KSV as Proposal Trustee and Monitor in the CCAA Entities' proceedings. Court materials are available on the Monitor's website at https://www.ksvadvisory.com/insolvency-cases/case/metro360 (the "Website").

1.1 Purposes of this Report

1. The purposes of this Report are to provide:

   a) background information about the CCAA Entities and these proceedings;

   b) an update concerning the initial distribution of approximately $4.66 million paid to Affected Creditors pursuant to Section 6.1 of the Plan (the "Initial Distribution"); and

   c) the CCAA Entities' stakeholders with an update regarding Metro and the Subsidiaries (as defined in paragraph 2.4 below), in accordance with Section 8.1 of the Plan.

1.2 Currency

1. All references to currency in this Report are to Canadian dollars.

1.3 Restrictions

1. In preparing this Report, KSV has relied upon unaudited financial information prepared by, and discussions with, Metro's management. KSV has not audited, reviewed or otherwise verified the accuracy or completeness of this information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.

2. KSV expresses no opinion or other form of assurance with respect to the financial information presented in this Report or relied upon by KSV in preparing this Report. Any party wishing to place reliance on the financial information is required to perform its own due diligence and perform such additional investigations as it requires. KSV makes no representation or warranty as to the accuracy, completeness or fitness for purpose of the financial and other information presented herein.

3. Future oriented financial information relied upon in this Report is based upon management's assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. KSV expresses no opinion or assurance regarding the future oriented financial information presented in this Report.

2.0 Background

1. The Partners are holding companies. Rosebud is an Ontario corporation which holds a 69.4% partnership interest in Metro, and 957 is an Alberta corporation which holds the remaining 30.6% partnership interest in Metro. Rosebud is also the sole shareholder of 957.

2. Prior to the commencement of the NOI Proceedings, Metro's business was primarily focused on wholesaling and distributing books and magazines to thousands of retailers across Canada (the "Literature Business"). The principal cause of Metro's financial difficulties leading up to the commencement of the NOI Proceedings was the decline of the Literature Business, which accelerated with the onset of the Covid-19 pandemic.

3. Due to unsustainable cash losses, immediately following the commencement of the NOI Proceedings, Metro sought approval of a sale of its Literature Business to Great Pacific Enterprises Inc. d/b/a TNG (the "TNG Transaction"). The TNG Transaction was approved by the Court on April 7, 2020 and closed on April 8, 2020.

4. Since completing the TNG Transaction, Metro's business has focused on distributing consumer-packaged goods ("CPG"), such as food products, music and consumer electronic accessories, and growing businesses in which Metro and/or Rosebud holds an equity interest, being Well Ventures Corp. ("Well"), Handfuel Inc. ("Handfuel"), All Day Nutritionals Canada Ltd. and All-Day Nutritionals Inc. (jointly, "Swift Work Wellness"), Spectral Agriventures Inc. ("Spectral"), United Library Services Inc. ("ULS"), Recruiter.com Group, Inc. ("Recruiter") and Lucidsoft Inc. (dba Leankor) ("Leankor") (collectively, the "Subsidiaries"). Metro provides management, administrative and strategic support to the Subsidiaries.

5. The businesses of Metro and the Subsidiaries are described in the Monitor's Seventh Report to court dated November 22, 2021 (the "Plan Assessment Report"). A copy of the Plan Assessment Report can be found here: Plan Assessment Report.

3.0 Initial Distribution

1. Pursuant to the Plan, the CCAA Entities were required within 30 days of the Plan Implementation Date to make the Initial Distribution to Affected Creditors with Proven Claims.

2. The following table summarizes the Proven Claims against the CCAA Entities, which were determined in accordance with the Claims Procedure Order dated September 16, 2020 issued in the CCAA proceedings:

Creditor	Number of Claims	Amount ($000s)
Trade vendor claims	1,036	15,128
Employee claims	85	2,541
CRA and other tax claims	5	889
Total	1,126	18,558

3. The table above excludes:

   a) Intercompany Claims totalling approximately $11 million. Pursuant to the Plan, Intercompany Creditors agreed not to participate in the Initial Distribution;[2] and

   b) a provisional claim filed by CRA, which was accepted in the claims process conducted pursuant to the Claims Procedure Order for approximately $3.2 million. Pursuant to the Court-approved CRA Claims Agreement, CRA was not entitled to participate in the Initial Distribution and its provisional claim reduces on a dollar-for-dollar basis by the amount of HST included in distributions paid to creditors under the Plan. In this regard, the Initial Distribution included approximately $738,000 of HST paid to creditors, which resulted in a corresponding reduction in CRA's provisional claim from approximately $3.2 million to approximately $2.5 million.[3]

4. Section 6.1 of the Plan provides that on the Initial Distribution Date:

   a) each Convenience Class Creditor would receive, in full satisfaction of its Proven Claim, a cash payment in the amount equal to the lesser of the following:

      i. its Proven Claim; and

      ii. $2,500.

   b) each Affected Creditor with a Proven Claim, other than a Convenience Class Creditor, would receive, in full satisfaction of such Proven Claim:

      i. payment of its Pro Rata Share of the balance of the Creditor Distribution Pool, after deducting the amounts paid to Convenience Class Creditors; and

      ii. the balance of its Proven Claim remaining after the Initial Distribution by way of an entitlement to such Affected Creditor's Pro Rata Share of the Promissory Note.

5. On or before the Plan Implementation Date, and in accordance with the provisions of Section 5.3 of the Plan, the CCAA Entities were required to transfer funds to a Creditor Distribution Pool Account, which funds would then be used to make the Initial Distribution. On February 3, 2022, the CCAA Entities transferred $4.66 million to the Creditor Distribution Pool Account.

6. On or around February 18, 2022, the CCAA Entities made the Initial Distribution, as summarized in the table below.

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[2] Pursuant to the Plan, Intercompany Creditors participate *pro rata* in distributions completed after the Initial Distribution.

[3] Pursuant to the Claims Agreement, Metro must provide reasonable evidence to the CRA to support any such reduction. On February 23, 2022, Metro provided evidence to the CRA in support of the $738,000 to CRA's claim, which evidence the CRA confirmed was satisfactory.

Description	Amount ($000s)		
	Convenience Class Creditors	Affected Creditors other than Convenience Class Creditors	Total
Total Affected Claims	738	17,820	18,558
Initial Distribution	(738)	(3,922)	(4,660)
Balance	-	13,898	13,898

7. Affected Creditors are entitled to participate on a *pro rata* basis in the Promissory Note for the balance owing to them (approximately $13.9 million).

8. The Promissory Note provides that, for as long as it remains outstanding, the CCAA Entities shall be required to distribute 100% of the Net Proceeds of a "Transaction", which is defined as:

   a) the Net Proceeds of any sale by a CCAA Entity of its equity interest in any Subsidiary; and/or

   b) a CCAA Entity's share of the Net Proceeds of any sale by any Subsidiary of all or a majority of the aggregate value of its assets.

9. Pursuant to the Plan and the Promissory Note, Transaction proceeds would be shared between Affected Creditors and Intercompany Creditors, as set out below.

Creditor Group	Obligation ($000s)	% of Future Distributions
Affected Creditors with Promissory Note Entitlements	13,898	56%
Intercompany Creditors with Intercompany Claims	11,000	44%
Total	24,898	100%

10. The Plan and Promissory Note also require the CCAA Entities, beginning with the end of the first full fiscal year of Metro following the Plan Implementation Date, to transfer any Excess Cash to the Creditor Distribution Pool Account within 30 days of the end of each such fiscal year. If any time the cash in the Creditor Distribution Pool Account exceeds $1 million, the CCAA Entities must distribute such cash on a *pro rata* basis to Affected Creditors and Intercompany Creditors.

4.0 Monitor's Update

1. Section 8.1 of the Plan provides, *inter alia*, that for as long as obligations under the Promissory Note remain outstanding, the Monitor shall report at least every six (6) months after the Plan Implementation Date, or periodically in response to or as a result of the occurrence of a material event, as determined by the Monitor in its sole discretion, by preparing a report that will be served on the service list in the CCAA Proceedings and posted on the Website, which such reports shall report on, among other things:

   a) the affairs, activities and business of the CCAA Entities and the Subsidiaries;

   b) amounts outstanding under the Promissory Note;

   c) the status of any Disputed Claims;

d) the Investment Reserve, including any amounts transferred or requests to transfer amounts therefrom;

e) any determination regarding Excess Cash;

f) the Creditor Distribution Pool, including requests to transfer Excess Cash therefrom; and

g) the actual and projected expenses of the Monitor.

2. Each of a) – g) above are discussed in the following sections of this Report.

4.1 Plan Subsection 8.1(a) – Update on CCAA Entities and the Subsidiaries

4.1.1 Metro

1. Since the Plan Implementation Date, Metro's management has continued to focus on growing its CPG business and growing the Subsidiaries.

2. Based on recent discussions with Metro's management, the Monitor understands that Metro is actively engaging with existing CPG customers and pursuing and entering into new CPG supply relationships, many of which are in their early stages. In this regard, Metro has recently entered into a high-volume distribution agreement with Halvana North America (chickpea and humus products) and expects to secure a distribution agreement for significant allergy free lines of cookies and snacks with another customer.

3. In Section 2.2 of the Plan Assessment Report, the Monitor reported that Metro projected that it would have negative earnings before interest depreciation and amortization ("EBITDA") of approximately $938,000 for the year-ending December 31, 2022.

4. Metro has missed budget for the first half of its fiscal year ending December 31, 2022. Metro experienced negative EBITDA of approximately $1.3 million for the six months ended June 30, 2022, due in part to costs Metro incurred supporting the Subsidiaries but for which it has not been reimbursed by the Subsidiaries.[4] Metro estimates this un-reimbursed amount to total approximately $310,000 for the six months ending June 30, 2022. Metro is working with the Subsidiaries to try to transfer a portion of those costs to the Subsidiaries in the near term.

5. Metro's management has advised that it is also continuing to rationalize costs and that it expects Metro's performance to improve in the second half of 2022. As at June 30, 2022, Metro's cash balance was approximately $1.1 million (excluding the balance in the Investment Reserve Account, as described below). Management projects that Metro has sufficient liquidity to continue to operate in the normal course. Should Metro require additional liquidity, it has identified a lender that has indicated a willingness to provide secured funding to Metro. Should this funding be required, the terms will be disclosed in a subsequent report to be filed by the Monitor.

[4] As described in the Plan Assessment Report, Metro provides critical management and back-office administrative services to the Subsidiaries for which it is not fully reimbursed. The Subsidiaries rely on these services and do not presently have the liquidity to pay these costs.

4.1.2 Subsidiaries

1. Rosebud and/or Metro do not have a controlling interest in the Subsidiaries; however, Metro provides the Subsidiaries with back-office support and Metro's management (principally Mr. Shapiro) oversees and guides the growth and strategic decision-making of certain of these businesses. Services provided by Mr. Shapiro, through Metro, include capital raising, product development, developing and managing distribution relationships and overall strategic guidance.

2. The continued growth of the Subsidiaries, with the objective of completing several Transactions, is the primary mechanism through which Affected Creditors are expected to receive further distributions.

3. The following sections provide a brief update on the business and activities of each of the Subsidiaries since the Plan Implementation Date.

<u>Well</u>

a) Well is a manufacturer and distributor of cold pressed juices, and ready-to-drink alcoholic beverages. On a fully diluted basis, Metro and Rosebud own 17.6% and 3.6% of Well's equity, respectively.

b) Well's activities since the Plan Implementation Date are summarized below.

i. <u>Transaction Considerations:</u> Well has engaged Ernst & Young as its advisor to assist in raising additional equity capital. A further round is expected to be completed in the next four months at a significantly higher valuation than its last capital raise due to the continued growth of Well's business. Pursuant to the Plan, a pool of funds totalling $1 million (known as the "Investment Reserve Account") was segregated and is being held by the Monitor to allow the CCAA Entities to participate in future financings of Well and the other Subsidiaries so that any dilution of the CCAA Entities' interest in the Subsidiaries is minimized.

ii. <u>Strategic Partnerships:</u> Well continues to secure listings with major retailers, including an exclusive line of juices for Loblaws under the PC Organic brand, and a national supply agreement with Loblaws for Well branded juices and lemonades, which is expected to launch in September 2022. Well has also been selected as the sole branded juice and wellness shot provider for Pret A Manger, a UK-based sandwich shop which is expanding into the Canadian market. Also of note, Well's relationship with Starbucks is exceeding budget. Starbucks has recently agreed to add two additional Well products beginning in early 2023. Well continues to expand the reach of its spirits business, securing listings at all major independent Vancouver liquor stores and additional stores throughout the US. Well is in the final stages of selecting a US sales agent as part of its effort to significantly increase US sales in its spirits business.

iii. Travel and Hospitality: Well is currently on a short-list to supply an international airline with two of its branded products. Well also recently hired a new senior team member with experience in the hospitality sector to drive growth more rapidly. This new staff member is actively pursuing listings at hotels and sports venues. Well recently signed Fairmont hotels and Joey's restaurants as marquis customers in this vertical.

c) For its fiscal year ended March 31, 2022, Well's revenue increased by approximately 39% year-over-year and management's most recent projection reflects revenue increasing a further 50% year-over-year for its fiscal year ending March 31, 2023.

Handfuel

a) Metro owns a 50% equity interest in Handfuel, a manufacturer of flavourful and nutritious food products which it distributes across Canada, such as fruit and nut snack mix products. Handfuel's products are sold in major grocery store chains and high-end grocers across Canada.

b) For its five-month period ended May 31, 2022, Handfuel's financial results reflect:

i. a 55% year-over-year increase in net sales and a 9% positive sales variance to budget for the same period; and

ii. operating income and EBITDA were essentially break-even and consistent with budget.

c) The Plan Assessment Report referenced that Handfuel was negotiating a transaction with a strategic investor to raise equity growth capital for Handfuel and to take advantage of the investor's relationships and experience in the processed nut and snack food sector. The Monitor understands that Handfuel is no longer pursuing these negotiations.

Spectral

a) Metro and Well own a 9% and 39% equity interest in Spectral, respectively. Spectral has developed a turnkey greenhouse model that Metro's management believes has the potential to reposition how Canadian grocery retailers source produce and sell leafy greens. The greenhouse model allows produce to be grown and distributed within Canada on a cost-efficient basis, ensuring freshness, reducing the carbon footprint and maintaining price competitiveness.

b) Spectral has completed its first deal with a southern Alberta Hutterite colony to construct a 70,000 sq. ft. greenhouse that is expected to be in full production by next summer. Spectral is in negotiations for additional sites with other Hutterite and Indigenous communities in Canada. Spectral, through Metro acting as its distribution agent, is in discussions with several larger Canadian retailers and a major US retailer with over 2,300 locations for the sale of its produce. Management believes that Spectral's first agreement represents a major milestone and supports the proof of concept for the future and sustained growth of this Subsidiary.

Swift Work Wellness

a) Metro's interests in Swift Work Wellness consist of a 27% holding in its US parent, and a 45% interest in its Canadian subsidiary, which together form Swift Work Wellness. Swift Work Wellness produces a liquid supplement designed to support immune system health, enhance focus and improve energy. Swift Work Wellness' liquid supplement is dispensed through a cooler system and is marketed towards use in workplace break rooms as a means of improving workplace wellness and overall employee performance.

b) Swift Work Wellness has limited business activity, and accordingly, there are no material updates at this time.

ULS

a) Rosebud owns a 50% interest in ULS. ULS is a Calgary-based wholesale distributor of books to schools and libraries, primarily in Western Canada. The ULS business remains profitable based on year-to-date results. During fiscal 2021 and year-to-date in 2022, ULS paid dividends to Rosebud in the amount of $400,000 and $100,000, respectively. Rosebud is considering strategic options for this business.

Recruiter and Leankor

a) Rosebud owns 4,144 shares of Recruiter, which operates a recruiting platform. Recruiter is publicly traded on the NASDAQ stock exchange. Based on Recruiter's share price as at the date of this Report, Rosebud's interest in Recruiter is valued at approximately US$6,000.

b) Rosebud also has a small interest in Leankor, which is a privately held company that provides project management services.

c) There are no material updates on Recruiter or Leankor at this time.

4.2 Plan Subsection 8.1(b) – Promissory Note

1. On the Plan Implementation Date, a non-interest-bearing promissory note was issued by the CCAA Entities and held by the Monitor on behalf of Affected Creditors who are not Convenience Class Creditors, in respect of the remaining balance owing to such Affected Creditors after payment of the Initial Distribution.

2. As noted in Section 3 of this Report, the aggregate amount owing under the Promissory Note is approximately $13.9 million.

4.3 Plan Subsection 8.1(c) – Disputed Claims

1. There are no Disputed Claims or any outstanding issues in the Claims Procedure.

4.4 Plan Subsection 8.1(d) – Investment Reserve

1. Pursuant to Section 5.1 of the Plan, the CCAA Entities transferred $1 million to the Investment Reserve Account (being an account maintained by the Monitor) on February 3, 2022.

2. The Investment Reserve Account was created under the Plan to set aside funds from the cash then on hand, so that the CCAA Entities can, in consultation with the Monitor, participate in the Subsidiaries' future capital raising transactions to avoid or minimize dilution of their equity interests in the Subsidiaries.

3. As of the date of this Report, there has been one transfer made from this account. On June 9, 2022, Metro's management advised the Monitor that Metro was the holder of 61,800 warrants in Well with an exercise price of $0.50 each, which warrants were set to expire on May 31, 2022. Metro elected to exercise these warrants before their expiry at a cost of $30,900 and sought reimbursement from the Investment Reserve Account for this transaction. As the exercise price of the warrants was well above the valuation used for Metro's last capital raise (and the contemplated next raise), the Monitor supported this request and transferred $30,900 to Metro from the Investment Reserve Account on June 13, 2022.

4. As of the date of this Report, the balance of the Investment Reserve Account is approximately $973,000 (inclusive of interest).

4.5 Plan Subsection 8.1(e) – Excess Cash

1. Commencing at the end of Metro's first full fiscal year following the Plan Implementation Date, the Plan provides that the CCAA Entities must transfer any Excess Cash to the Creditor Distribution Pool Account, which can then be used to make distributions to Intercompany Creditors and Affected Creditors if the balance of the Creditor Distribution Pool Account exceeds $1 million.

2. As discussed in Section 4.2 of this Report, Metro is not expected to generate free cash flow in the near term, and accordingly, the Monitor does not expect that the CCAA Entities will generate Excess Cash in the current fiscal year.

4.6 Plan Subsection 8.1(f) – Creditor Distribution Pool

1. To date, there have been no transfers to the Creditor Distribution Pool Account other than to fund the Initial Distribution.

2. As at the date of this Report, the balance in the Creditor Distribution Pool Account is approximately $49,000, which represents Uncashed Distribution cheques from the Initial Distribution.

3. Pursuant to Section 6.7 of the Plan, if an Affected Creditor's distribution in respect of its Affected Claim is not cashed and becomes stale-dated or is returned undeliverable (in each case, being an "Uncashed Distribution"), no further distributions shall be made to such creditor unless and until the CCAA Entities are notified in writing of such creditor's current address or wire particulars prior to the Uncashed Distribution Notification Deadline, being the date that is six months from the date of the related distribution (being on or around August 18, 2022 in the case of the Initial Distribution).

4. If the CCAA Entities are not notified prior to the Uncashed Distribution Notification Deadline, the claim of such Affected Creditor is considered satisfied, forever discharged and forever barred, and the Uncashed Distribution will remain in the Creditor Distribution Pool Account to be used for future distributions to creditors.

4.7 Plan Subsection 8.1(g) – Monitor's Fees

1. The fees and disbursements of the Monitor and its legal counsel, Bennett Jones LLP ("Bennett Jones"), from the commencement of these proceedings to December 31, 2021 were approved pursuant to Court orders issued previously in these proceedings.

2. Pursuant to the Sanction Order[5], the Court approved a fee accrual of $100,000 for fees to be incurred by the Monitor from January 1, 2022 to the Plan Implementation Date (February 9, 2022). The fees (excluding disbursements and HST) of the Monitor and Bennett Jones for that period were approximately $39,830 and $35,599, respectively.

3. The fees (excluding disbursements and HST) of the Monitor and Bennett Jones since the Plan Implementation Date (i.e. February 10, 2022) to July 31, 2022 total approximately $43,291 and $3,537, respectively.

5.0 Next Steps

1. There are no distributions projected at this time. The Monitor is required to file its next report no later than February 9, 2023.

2. Should there be a material development prior to February 9, 2023, the Monitor will file, serve and make available on the Website a further report in accordance with Section 8.1 of the Plan.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

KSV RESTRUCTURING INC.,
SOLELY IN ITS CAPACITY AS MONITOR OF
THE PARTNERS AND METRO
AND NOT IN ITS PERSONAL CAPACITY

[5] The Sanction Order provides that the fees of the Monitor and Bennett Jones incurred following the Plan Implementation Date do not require Court approval.