ksv advisory inc.

First Report to Court of KSV Kofman Inc. as Proposal Trustee of Rosebud Creek Financial Corp. and 957855 Alberta Ltd. In respect of Metro 360 General Partnership

April 6, 2020

Contents

Page

Appendices

Appendix Tab

Confidential Appendices

Appendix Tab

ESTATE FILE NOS.: 31-2636818 AND 31-2636843

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
(IN BANKRUPTCY AND INSOLVENCY)

IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF 957855 ALBERTA LTD. (FORMERLY NEWSWEST INC.) AND ROSEBUD CREEK FINANCIAL CORP. IN RESPECT OF METRO 360 GENERAL PARTNERSHIP

FIRST REPORT OF KSV KOFMAN INC.
AS PROPOSAL TRUSTEE
APRIL 6, 2020

1.0 Introduction

1. This report ("Report") has been prepared by KSV Kofman Inc. ("KSV") in its capacity as proposal trustee ("Proposal Trustee") in connection with Notices of Intention to Make a Proposal ("NOI") filed on April 6, 2020 by Rosebud Creek Financial Corp. ("Rosebud") and 957855 Alberta Ltd. ("957") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act,* R.S.C. 1985, c. B-3, as amended ("BIA").

2. Rosebud and 957 (collectively, the "Partners") are holding companies and the partners of Metro 360 General Partnership ("Metro"), a partnership primarily focused on wholesaling and distributing books and magazines (the "Literature Business") and newspapers to thousands of retailers across Canada.

3. The principal purpose of these proceedings is to create a stabilized environment to allow Metro to:

   a) urgently complete a Transaction (as defined below) that will: i) prevent substantial disruption in the manner in which books and magazines are distributed to retailers across Canada; ii) generate value for this portion of Metro's business where it would otherwise not be possible; iii) maximize the value of Metro's accounts receivable and inventory; and iv) save nearly three hundred jobs, which is particularly critical in the current pandemic environment;

   b) facilitate a restructuring of its business around its existing consumer packaged goods ("CPG") business so that it may continue to operate that business on a going-concern basis; and

   c) provide Metro with the opportunity to prepare a restructuring plan that is contemplated to result in material recoveries for its creditors.

1.1 Purposes of this Report

1. The purposes of this Report are to:

    a) provide background information about the Partners, Metro and these proceedings;

    b) summarize the terms of an asset purchase agreement dated April 3, 2020 (the "APA") between Metro and Great Pacific Enterprises Inc., d/b/a TNG (the "Purchaser"), pursuant to which the Purchaser has agreed to purchase Metro's customer list and certain other assets required to continue the Literature Business (the "Purchased Assets") (the "Transaction");

    c) discuss the rationale for the Proposal Trustee's recommendation that it is appropriate that the Transaction be approved and completed on an urgent basis;

    d) summarize the terms of a Services Agreement dated April 3, 2020 (the "CMMI Services Agreement") between the Purchaser and an affiliate of Metro, being CMMI Canadian Mass Media Inc. ("CMMI");

    e) discuss the rationale for:

        i. extending the stay of proceedings and certain other relief in these NOI proceedings to Metro;

        ii. a $300,000 priority charge on all of the property of the Partners and Metro to secure the fees and disbursements of Metro's counsel, Goodmans LLP, the Proposal Trustee and its counsel, Bennett Jones LLP (the "Administration Charge");

        iii. sealing the unredacted version of the APA;

        iv. administratively consolidating the NOI proceedings of the Partners;

        v. permitting Metro and/or the Partners to complete sales of redundant or non-material assets that are not subject to the Transaction with the prior approval of the Proposal Trustee and without further Court approval if they result in proceeds not exceeding $200,000 in any one transaction or $400,000 in the aggregate;

        vi. extending the time for the Partners to file a proposal from May 6, 2020 to June 19, 2020;

    f) summarize the anticipated next steps in these proceedings; and

    g) recommend that the Court make orders, *inter alia*:

        i. extending the stay of proceedings and certain other relief to Metro;

        ii. approving the Transaction;

iii. vesting in the Purchaser Metro's right, title and interest in and to the Purchased Assets, free and clear of all liens, charges, security interests and encumbrances;

iv. granting the Administration Charge pursuant to Section 64.2 of the BIA;

v. authorizing Metro to complete transactions for certain surplus assets with the consent of the Proposal Trustee but without further Court approval if the value of any single transaction is no more than $200,000 or the aggregate of such transactions is no more than $400,000;

vi. sealing the unredacted version of the APA;

vii. administratively consolidating the Partners' NOI proceedings; and

viii. extending the time for the Partners to file a proposal to June 19, 2020.

1.2 Currency

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

1.3 Restrictions

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

2. The Proposal Trustee expresses no opinion or other form of assurance with respect to the financial information presented in this Report or relied upon by the Proposal Trustee in preparing this Report. Any party intending to rely on the financial information presented in this Report should perform its own diligence and any reliance placed by any party on the information presented herein shall not be considered sufficient for any purpose whatsoever.

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 a 30.6% partnership interest in Metro. Rosebud is also the sole shareholder of 957. Rosebud also holds illiquid investments in other businesses.

2. Metro and its predecessors were founded by the Shapiro family; Daniel Shapiro is Metro's President and Chief Executive Officer. The head office of Metro and Rosebud is located in Toronto, Ontario. The registered office of 957 is in Calgary, Alberta. The corporate organizational chart is appended to the Affidavit of Daniel Shapiro filed in support of this motion (the "Affidavit").

3. Metro's core business is the Literature Business, having been commenced by the Shapiro family in the early 1940s. The distribution of books, magazines and newspapers in Canada is regulated pursuant to the *Paperback and Periodical Distributors Act, 1971* (the "PBDA"). As a result, foreign ownership is precluded as the PBDA requires that businesses engaged in the distribution of paperback and periodical publications meet certain Canadian ownership requirements.

4. The Metro business is approximately 100 years old. Metro represents the consolidation of at least fourteen predecessor companies with roots in Alberta, Saskatchewan, Manitoba, Ontario and Quebec. The consolidation of Metro and its predecessor entities over the years was driven by the industry's significant contraction, largely due to the internet and social media platforms. Density, sales volumes and cost reductions through consolidation were required for wholesalers and distributors to remain viable. Prior to industry consolidation, there were over 30 magazine and book wholesalers in Canada. Today, there are only two of any substance, being Metro and the Purchaser.

5. Revenue in the Literature Business has been declining at an average annual rate of approximately 10% over the last decade as retailer and consumer apathy for magazines and other periodicals has increased. At its peak, net sales for Metro and its predecessor companies' Literature Business were approximately $470 million. Metro's net sales in its most recent fiscal year ended December 31, 2019 totalled approximately $120 million.

6. The current pandemic crisis has accelerated the decline in Metro's business. Many book and substantially all magazine suppliers have discontinued providing Metro with new inventory. This portion of Metro's business is days from being completely discontinued.

7. Metro has approximately 350 employees, including approximately 290 merchandisers in the field that are responsible for stocking shelves and coordinating inventory returns at Metro's retail customers. Metro supplies to thousands of independent grocery and other retailers across Canada. Metro is also the service provider to an affiliated company, CMMI, which holds and manages customer accounts with certain big-box retailers, including Walmart and Costco.

8. CMMI is an affiliate of Metro. CMMI manages key national accounts for Metro, including Costco, Walmart, Circle K, Pharmasave and Rexall. CMMI has a small team that manages those accounts while Metro provides its core set of services (i.e. distribution and logistics). CMMI receives a small fee for providing these services. CMMI and Metro have operated in this fashion since approximately 1996.

9. Metro's Literature Business is complex – it entails, *inter alia*, the procurement of product, stocking of retailer shelves (largely on a consignment basis) and maintaining IT systems to track and account for product sales and returns.

10. Returning unsold inventory to publishers for full credit is critical to the Literature Business. All unsold periodicals and books can be returned for full credit, which materially reduces the amounts owing to publisher creditors. On average, nearly 75% of product distributed by Metro is returned as unsold or dated.

11. Several years ago, Metro began to diversify its Literature Business by adding CPG items, including food products, music, consumer electronic accessories and a line of items referred to as As-Seen-On-TV ("ASOTV") products. Annual sales generated from these products totalled approximately $15 million in fiscal 2019. Metro intends to restructure its business around its CPG business.

12. Metro's workforce is not unionized. Metro maintains a defined contribution pension plan and has advised the Proposal Trustee that it is current on its obligations under the pension plan.

13. Additional information about the Partners, Metro and the Transaction is included in the Affidavit. Court materials in these proceedings are available on the Proposal Trustee's website at https://www.ksvadvisory.com/insolvency-cases/case/metro360.

2.1 Financial Position

1. Rosebud has a number of illiquid business investments and the Partners have no third-party debt. To the extent Metro is unable to satisfy its obligations, the partnership's deficiency represents a pro-rata obligation of the Partners. A discussion of Rosebud's illiquid investments is provided in the Affidavit and has not been repeated in this Report.

2. Metro's most recent unaudited financial statements as at February 22, 2020 are provided in Appendix "A". The balance sheet reflects negative working capital of approximately $17.5 million and a Partners' deficiency of approximately $6.1 million.

2.1.1 Assets

1. A summary of Metro's significant working capital assets as at February 22, 2020 is provided below.

Unaudited	$000s
Cash	32
Accounts receivable	13,050
Inventory	33,017
Total	46,099

2. A discussion of each of the assets (other than cash) is provided below:

   a) Accounts receivable – these are owing from Metro's retail customer base, comprised of approximately 4,500 independent grocery and other retailers across Canada.

   b) Inventory – represents inventory which is sold to retailers on a consignment basis that is presently on store shelves (referred to as scanned based technology ("SBT") inventory) with a book value of approximately $22.7 million and inventory at Metro's warehouses in Scarborough, Calgary and Thunder Bay with a book value of approximately $10.3 million.

3. As referenced in the Affidavit, Metro has certain illiquid business investments, which in due course will be further reviewed by the Proposal Trustee.

2.1.2 Liabilities

1. The Partners have no third-party liabilities other than their respective share of Metro's deficiency.

2. Pursuant to Section 142 of the BIA, the joint property of the Partners (being, the Metro partnership) shall be applicable in the first instance in payment of their joint debts, and the separate property of each partner shall be applicable in the first instance in payment of its separate debts.

3. Toronto Dominion Bank ("TD") provides Metro with a $4 million operating line facility. As of the date of these proceedings, there are no amounts owing under this facility.

4. A summary of Metro's unsecured creditors as at February 22, 2020 is provided in the table below.

Unaudited	$000s
Publisher accounts payable	51,053
Accounts payable and accrued liabilities	9,960
Provision for sales returns	3,571
Total	64,584

5. The amounts owing to publishers are expected to decline materially through the return of SBT and other inventory. As referred to above and in the Affidavit, approximately 75% of inventory is generally returned, and as discussed below, the APA contemplates that the Purchaser will facilitate these product returns in the normal course. This is a key benefit of the Transaction.

6. The obligations reflected above exclude "off balance sheet" obligations, including employee claims. According to Metro's books and records, Metro's accrued and unpaid vacation pay obligation presently totals approximately $650,000. Severance and termination obligations have not been quantified.

7. Each creditor of the Partners, including the creditors of Metro, will receive a copy of the NOI package from the Proposal Trustee.

3.0 Urgency

1. The global COVID-19 pandemic has accelerated the decline in Metro's business:

   - distribution of magazine, newspaper and certain genres of books has effectively ceased;

   - hundreds of Metro's retail customers ceased operating in March and more are likely to do so in the coming weeks; and

- many merchandisers and other employees are either in quarantine or refusing to work, resulting in missed deliveries, the inability to place new product on shelves and the inability to return dated inventory to publishers.

2. On April 1, 2020, Comag Marketing Group LLC ("Comag"), Metro's magazine supplier, issued a Notice of Termination to Metro as a result of non-payment. Comag claims to be owed approximately US$19.8 million. Comag is the sole supplier of magazines in North America and, accordingly, Metro is no longer able to provide customers with magazines. Magazine sales (approximately $9.9 million) represent approximately 63% of Metro's year-to-date revenue for the period ended February 22, 2020. Additionally, there are five major book publishers and at least four of them are now refusing to supply Metro.

3. Metro is without the liquidity and/or supply source to continue to operate. It was unable to pay its trade vendor obligations in March. Metro will run out of product shortly. Metro has recently laid off approximately 20 employees. Further layoffs appear inevitable.

4. Based on the foregoing, Metro is effectively unable to continue to operate its Literature Business. It requires a stay of proceedings to immediately complete the proposed Transaction, following which it intends to scale down its business, restructure around its CPG business and, in due course, formulate a restructuring plan for its creditors.

4.0 Stay of Proceedings

1. It is presently unclear whether the contemplated restructuring will require conversion to a proceeding under the *Companies' Creditors Arrangement Act,* R.S.C. 1985, c. C-36 ("CCAA"). As such, the Partners have each filed NOIs and are seeking to extend the stay to Metro rather than Metro filing its own NOI, so that such proceedings can be continued under the CCAA if determined to be necessary or desirable. A partnership cannot be an applicant under the CCAA; however, pursuant to case law, the stay of proceedings and other protections in a CCAA can be extended to a partnership. Also, if Metro were to file an NOI, it may not be able to exit the BIA process, and could be forced to liquidate at the end of the BIA's six-month period for proposals. By not filing an NOI, Metro retains the flexibility to continue its restructuring process into the CCAA, if necessary and appropriate.

2. The Proposal Trustee understands that Metro is a party to hundreds of contracts pursuant to which termination provisions may be triggered as a result of the commencement of insolvency proceedings. Certain of these contracts are required for Metro to continue to carry on business in the ordinary course, including the CPG business, which is contemplated to continue post-filing. Extending the stay of proceedings to Metro will prevent the termination of these contracts.

3. As a result of the risks identified above, and in order to best position Metro to formulate a viable restructuring plan, the Proposal Trustee believes that extending the stay of proceedings to Metro is in the best interests of its stakeholders and the success of these proceedings.

4. The proposed "Bankruptcy Procedure Order" contemplates that the protections provided to the Partners pursuant to section 65.1 of the BIA shall be extended to Metro. The extension of these protections is required in order to avoid disruption in Metro's business during its restructuring process. Metro's vendors are required to continue to provide goods and services to Metro, provided that no supplier is required to extend further credit to Metro.

5.0 Transaction[1]

1. The key terms and conditions of the APA include the following:

   a) Purchaser: TNG is an entity in the Jim Pattison Group, which is a Vancouver-based conglomerate with interests in media, automotive dealerships, grocery store chains, magazine distribution, food service specialty packaging, advertising, real estate development, fishing, forest products, financial services and entertainment. The Purchaser is the only other mass market book and magazine distributor in Canada of any note.

   b) Purchase Price: $925,000 payable in five equal monthly installments of $185,000. The Purchaser is entitled to set off against such monthly installments any amounts owed to or claimed against the Purchaser under any agreement between the parties. Metro has advised that it is not aware of any potential setoff claims in this regard (or any agreements with the Purchaser other than the APA that could give rise to any claims).

   c) Purchased Assets: Metro's right, title and interest in:

      (i) all customer and title records of Metro, including all distribution records, customer name files and title files including publisher listings, in each case for those customers located where such customers operate in Canada;

      (ii) all magazine racks located in customer locations; and

      (iii) the goodwill of Metro for the customer locations where such customers operate in Canada that relates to the distribution and sale of books and magazines.

   d) Excluded Assets: all assets other than the Purchased Assets, including Metro's accounts receivable, inventory, trade names, trademarks or other intellectual property and Metro's leasehold interests in any real estate.

   e) Accounts Receivable Collections and Inventory Returns: the APA requires the Purchaser to assist Metro in the collection of accounts receivable and the sell-through of inventory on customer shelves, including leaving Metro's merchandise on customer shelves through the normal expiration of a product's life cycle so that premature returns are minimized to the extent reasonably practicable and picking up merchandise returns from customers at no cost to Metro. In addition, the Purchaser shall pick up in accordance with industry practice all of Metro's merchandise that remains in the field after closing and

[1] Defined terms in this section of the Report have the meanings provided to them in the APA.

return it for proper credit from publishers, national distributors or other vendors. The Purchaser and Metro will share equally all costs of any programming needed to separate returns. The Purchaser will deliver all required reports to Metro on a weekly basis. Exhibit B to the APA details the inventory return and accounts receivable collection process and procedures to be carried out by the parties.

The product return provisions of the APA are critical to Metro as they will allow Metro to reduce its obligations to publisher creditors. An orderly inventory return protocol is particularly significant in this industry as nearly 75% of inventory is returned to vendors for full credit. The Purchaser's assistance to coordinate product returns from the retailers to the publishers is expected to reduce accounts payable by millions of dollars.

f) Assumed Liabilities: the only liabilities being assumed by the Purchaser under the APA are those that arise from and after closing under the customer agreements listed in Schedule D to the APA. The APA states that the Purchaser is not assuming any pre-closing liabilities, including any employee obligations, notwithstanding whether the employees are hired by the Purchaser following the closing of the Transaction.

g) Conditions Precedent: the terms of the APA are generally consistent with standard insolvency transactions, i.e. to be completed on an "as is, where is" basis with minimal representations, warranties and conditions. The only remaining material condition is Court approval, which is to be sought within three business days of the filing of the NOIs. Closing is to occur within two business days of Court approval.

2. A redacted version of the APA is attached to the Affidavit. The only redacted portions of the APA are the schedules which set out Metro's customer list, the customer contracts being assumed by the Purchaser and the names and salary information of transferred employees. The unredacted version of the APA is attached as Confidential Appendix "1" to this Report.

3. The Proposal Trustee recommends that the unredacted version of the APA be filed with the Court on a confidential basis and remain sealed pending further order of the Court as the redactions contain sensitive information, including sensitive personal information, that does not need to be disclosed. The Proposal Trustee does not believe that any stakeholder will be prejudiced if the information is sealed or redacted.

5.1 Recommendation

1. The Proposal Trustee believes the Transaction is appropriate for the following reasons:

a) absent the Transaction, Metro will not be able to sell its Literature Business, and it will be liquidated for nominal or no value;

b) it contemplates an immediate sale to the only potential buyer, being the Purchaser, given that the Purchaser and Metro are the only two mass market book, magazine and newspaper distributors in Canada. Additionally, this industry is regulated pursuant to the PBDA such that there are Canadian content and ownership restrictions that would preclude a non-Canadian buyer from performing Metro's business;

c) it is expected to preserve employment for a substantial number of Metro's employees across Canada (approximately 290 employees will be offered employment with the Purchaser), whereas the alternative – liquidation – would result in their immediate termination;

d) it is projected to enhance accounts receivable collections as retailers will have a continued and uninterrupted source of supply, which will reduce the number of setoff claims that would result if supply was disrupted. Additionally, the Purchaser will facilitate the return of inventory on shelves in the normal course, which will materially reduce Metro's accounts payable obligations and enhance the prospects of a successful restructuring;

e) a distribution to unsecured creditors is expected in these proceedings. The Transaction both enhances recoveries and minimizes claims as accounts payable owing to inventory suppliers will be significantly reduced through the product return process discussed herein;

f) the Purchaser uses the same logistics system as Metro which will further provide for a streamlined transition of the Literature Business and enable it to meet customer requirements and make timely shipments to over 4,500 customers across Canada;

g) it will allow Metro to immediately downsize its business and focus on restructuring around its CPG business;

h) the current COVID-19 pandemic has had a significant and catastrophic impact on Metro's ability to continue the Literature Business. It is only through the Transaction that Metro will be able to re-establish a supply line to its existing retail customers in order to continue to operate its remaining business lines;

i) the Proposal Trustee understands that legal counsel to both Metro and the Purchaser are of the view that the Transaction is compliant with Competition Bureau regulatory matters and does not trigger notification requirements in that regard; and

j) even absent the COVID-19 crisis, conducting a sale process for Metro's business would be a waste of time. The outcome of such a process would be a sale to the Purchaser, and if that failed, a liquidation of the business. Metro and the Purchaser are the only two businesses in Canada that perform the services covered by the APA, and foreign companies are precluded from providing book, magazine and newspaper distribution in Canada.

2. Based on the foregoing, the Proposal Trustee recommends that this Honourable Court approve the Transaction.

6.0 CMMI Services Agreement

1. In conjunction with the execution of the APA, CMMI and the Purchaser have entered into the CMMI Services Agreement. The CMMI Services Agreement is not subject to Court approval but is discussed as it is related to the APA. The CMMI Services Agreement provides that the Purchaser will provide certain services for CMMI that were formerly performed by Metro. This is important because the Purchaser will be acquiring Metro's employees or systems on which CMMI relies. It also facilitates the Transaction, which produces value for creditors.

2. The key attributes of the CMMI Services Agreement are as follows:

    a) CMMI is appointing the Purchaser as its service agent in all regions in Canada in which Metro previously acted as CMMI's service agent for the regions in which Metro operates;

    b) the Services to be performed are detailed in the CMMI Services Agreement, including maintaining a billing and EDI infrastructure to support the purchase and sale transactions with CMMI retail customers, cash split and reconciliation functions, mass market book purchasing services, ensuring CMMI customers receive appropriate product assortment and allocations, logistics and merchandising services;

    c) CMMI is to change the signing authorities for the bank accounts used in the collection of accounts receivable (by EFT) from its large retail accounts. This is required for the Purchaser to perform certain of the Services, including maintaining billing and accounting systems for CMMI. To the extent the Purchaser collects any amounts that are owing to CMMI in respect of newspaper revenues in error, the Purchaser is obligated to forward those funds to CMMI within seven days;

    d) the fees/commissions payable by each party under the agreement are as follows:

        - CMMI is to pay the Purchaser a monthly fee of $25,000; and

        - the Purchaser is to pay CMMI a monthly commission of 2% of all revenue generated by CMMI's merchandising assignments, sales of electronics, music, ASOTV products and any other product or service sold by CMMI to its customers (other than books and magazines) and collected by the Purchaser;

    e) the term is 18 months, which automatically renews for up to two additional one-year terms unless either party delivers a termination notice within 120 days of expiry of the applicable term; and

    f) it provides the Purchaser with a first right of refusal for the CMMI business.

3. On an overall basis, the CMMI Services Agreement will benefit Metro as it will assist to minimize disruption at the major retailers (which are customers of CMMI serviced by Metro) by providing the Purchaser with the systems and people which are critical to the uninterrupted performance of the Literature Business, which will, in turn, enhance Metro's accounts receivable collections, facilitate inventory returns to vendors for full credit and assist Metro to prepare a restructuring plan that is in the interest of its creditors.

7.0 Request for an Extension

1. The Partners are seeking an extension of the time to file a proposal with the Official Receiver from May 6, 2020 to June 19, 2020.

2. The Proposal Trustee supports the Partners' request for the following reasons:

   a) the Proposal Trustee has been working with management for several weeks and is of the view that they are acting in good faith and with due diligence;

   b) a viable proposal (or CCAA plan if the proceeding is converted) is likely to be made if the extension is granted;

   c) the cash flow projection attached as Appendix "B" reflects that there is sufficient liquidity for Metro to continue to operate during the extension period;

   d) no creditor would be materially prejudiced if the extension is granted;

   e) it will allow the Proposal Trustee to work with Metro to advance a restructuring plan, which is in the interest of maximizing stakeholder recoveries; and

   f) in the current COVID-19 environment where Court time is scarce and should be used for urgent matters, the Proposal Trustee does not believe it is a good use of the Court's time to hear a motion within the next 30 days solely for the purpose of extending the date by which a proposal needs to be filed.

8.0 Surplus Asset Sales

1. The Proposal Trustee understands that Metro is considering other nominal transactions for surplus assets. Metro is seeking authorization to complete any transaction for these surplus assets not exceeding $200,000 in any one transaction or $400,000 in the aggregate, with the prior approval of the Proposal Trustee, but without further approval of the Court.

2. The Proposal Trustee believes the relief sought is appropriate given that it will be working with Metro on these transactions and because it is sensitive to scheduling further motions in these proceedings for approval of immaterial transactions. Court approval for any transaction in excess of these thresholds would still be required.

9.0 Administration Charge

1. The Partners are seeking an Administration Charge over the assets of the Partners and Metro in the amount of $300,000 in respect of the fees and disbursements of their counsel, the Proposal Trustee and its counsel. An Administration Charge is a common feature in restructuring proceedings. The professionals covered by the Administration Charge require the benefit of the Administration Charge to secure payment of their fees and expenses.

2. Absent approval of the Administration Charge, the professionals involved in these proceedings have no guarantee of payment and are unlikely to continue to act, which would likely cause these proceedings to come to an end. There are no secured creditors in these proceedings (other than TD, which has no amounts owing to it under its operating line facility), being the stakeholders who are required to be served before an Administration Charge is granted.

10.0 Administrative Consolidation

1. The Partners are seeking an order to consolidate the administration of their NOI proceedings into one estate.

2. As the consolidation is for administrative purposes only, each of the Partners would remain separate for the purpose of a claims process, filing a proposal or making distributions to creditors.

3. The Partners and the Proposal Trustee believe that administratively consolidating the proceedings is appropriate as:

    a) the Partners are inactive holding companies with no business operations or assets other than their respective partnership interests in Metro and certain illiquid CPG business investments;

    b) it will facilitate the orderly administration of these proceedings;

    c) the Partners have common ownership and management; and

    d) it will reduce costs, including by filing materials in one proceeding only.

11.0 Anticipated Next Steps in these Proceedings

1. Subject to Court approval, the Proposal Trustee's next steps in these proceedings will include the following:

    a) working with Metro, the Purchaser and their respective legal counsel to close the Transaction and facilitate the corresponding post-closing service agreements;

    b) assisting Metro to wind-down its publication distribution business, including in respect of accounts receivable collections and inventory sales/returns;

c) working with Metro to complete other non-core asset sales which are presently being considered; and

d) assisting in the preparation of a restructuring plan to be presented to creditors in due course.

12.0 Conclusion and Recommendation

1. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1(1)(g) of this Report.

* * *

All of which is respectfully submitted,

KSV Kofman Inc

KSV KOFMAN INC.
SOLELY IN ITS CAPACITY AS TRUSTEE UNDER THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF THE PARTNERS AND NOT IN ITS PERSONAL CAPACITY

Appendix “A”

METRO 360
Income Statement
For 2 Months Ending February 22, 2020
($000's)

	Year to Date Actual	Year to Date Prior Year
Sales:		
Dealer Sales-Magazines:		
Billed	45,012	55,881
Returned	35,086	44,632
Magazines, Net	9,927	11,249
Dealer Sales-Books:		
Billed	12,271	10,945
Returned	8,173	6,974
Books, Net	4,099	3,971
Dealer Sales-Total Gross:		
Billed	59,783	69,665
Returned	43,921	52,305
Gross Sales	15,863	17,360
Return reserve change	-	-
Customer rebates	(501)	(576)
Contract signing allowance	-	-
Total Net Sales	**15,361**	**16,784**
Cost of Sales:		
Cost of Sales	11,600	12,865
Inventory Obsolescence	11	-
Distribution Fee	(168)	(71)
Publisher incentives	(204)	(234)
	11,239	12,560
Net Gross Margin	**4,122**	**4,224**
Expenses:		
Salaries, wages & benefits	1,929	1,949
Contractors	145	131
Occupancy costs	63	54
Travel & entertainment	95	91
Vehicle costs	69	64
Advertising & promotion	45	43
Computer costs	89	112
Audit & legal	24	24
Telephone	18	20
Bad debt	3	3
Depreciation	35	31
Logistics Basic Fee	1,999	2,088
Logistics Ancillary Charges	383	374
Other S. G. & A	(27)	94
	4,869	5,076
Operating income	(747)	(852)
Other Income:		
Handling	94	92
Reship & transportation	63	68
Waste paper	34	175
Delivery charges	126	165
Income from Joint Ventures	-	7
Other income (expense)	78	135
	394	642
Net income	**(353)**	**(210)**
EBITDA	**(318)**	**(179)**

METRO 360
Balance Sheet
As at February 22, 2020

	Month-end Feb 2020	Month-end Feb 2019	Year-End Dec 2019
Assets			
Current Assets			
Cash	31,843	8,606,695	(3,577,797)
Accounts Receivable	13,050,042	18,748,216	10,534,414
SBT Inventory	22,693,426	22,701,611	22,624,909
Accounts Receivable GST	890,211	2,678,416	3,969,071
Inventory	10,323,493	13,568,144	14,638,988
Prepaid Expenses	58,830	955,414	282,935
Total Current Assets	47,047,845	67,258,497	48,472,520
Fixed Assets			
Fixed Assets	781,118	715,763	813,768
Promissory Notes Receivable	8,794,505	8,794,505	8,794,505
Investment in Metro US LLC	1	1	1
Investment in All Day Nutritionals	589,170	494,318	589,170
Investment in Spectral Agriventures	83	-	83
Investment in Well Juicery	858,324	441,000	858,324
Investment in RS2	358,451	219,213	358,451
Investment in Grun	1	1	1
Investment in Handfuel	50,000	50,000	50,000
Total Assets	**58,479,499**	**77,973,296**	**59,936,824**
Liabilities and Partners' Equity			
Current Liabilities			
Publishers Accounts Payable	51,053,236	68,308,670	52,140,007
Accounts Payable and Accrued Liabilities	9,960,437	12,512,322	10,927,878
Provision for Sales Returns	3,571,442	4,303,417	3,571,442
Total Current Liabilities	64,585,115	85,124,409	66,639,327
Partners' Equity			
Partners Equity	(6,702,503)	(7,004,055)	(7,004,055)
Profit (Loss) for Period	(353,112)	(147,057)	(288,899)
Payments to Partners	950,000	-	590,451
Total Partners' Equity	(6,105,616)	(7,151,112)	(6,702,503)
Total Liabilities & Partners' Equity	**58,479,499**	**77,973,296**	**59,936,824**

Appendix “B”

Metro 360 General Partnership
Projected Statement of Cash Flows
For the Period Ending June 26, 2020
(Unaudited; $CAD)

	Note	10-Apr-20	17-Apr-20	24-Apr-20	01-May-20	08-May-20	15-May-20	22-May-20	29-May-20	05-Jun-20	12-Jun-20	19-Jun-20	26-Jun-20	
		Week Ending												
	1													
Receipts														
Operating Receipts	2	1,600,000	1,620,000	1,458,000	1,312,200	780,980	702,882	632,594	569,334	512,401	461,161	415,045	373,540	10,438,137
HST Refund		-	-	1,150,000	-	-	750,000	-	-	-	500,000	-	-	2,400,000
TNG Sale Proceeds	3	185,000	-	-	-	-	-	-	185,000	-	-	-	185,000	555,000
Total Receipts		1,785,000	1,620,000	2,608,000	1,312,200	780,980	1,452,882	632,594	754,334	512,401	961,161	415,045	558,540	13,393,137
Disbursements														
Payroll and Benefits	4	91,844	214,249	-	119,882	-	132,565	-	112,565	-	101,384	20,000	101,384	893,873
Payments to CPG Suppliers	5	1,276	146,985	85,593	79,654	80,000	80,000	90,000	90,000	100,000	100,000	110,000	110,000	1,073,507
Rent and Occupancy Costs	6	-	14,965	-	14,965	-	-	-	-	14,965	-	-	-	44,895
Other Operating Costs	7	27,104	14,369	16,145	4,822	11,537	22,961	18,536	20,661	14,858	19,369	14,945	15,870	201,177
Contract Drivers and Merchandisers	8	43,428	53,428	17,500	-	-	10,000	-	-	-	-	5,000	-	129,356
Total Operating disbursements		163,652	443,996	119,237	219,323	91,537	245,525	108,536	223,226	129,823	220,753	149,945	227,254	2,342,809
Net Cash Flow before the Undernoted		1,621,348	1,176,004	2,488,763	1,092,877	689,443	1,207,357	524,058	531,108	382,578	740,408	265,100	331,286	11,050,329
Professional Fees	9	-	50,000	-	-	-	-	-	200,000	-	-	-	150,000	400,000
Net Cash Flow		1,621,348	1,126,004	2,488,763	1,092,877	689,443	1,207,357	524,058	331,108	382,578	740,408	265,100	181,286	10,650,329
Opening Cash balance		2,337,035	3,958,383	5,084,387	7,573,150	8,666,026	9,355,470	10,562,826	11,086,884	11,417,992	11,800,570	12,540,977	12,806,077	2,337,035
Net Cash Flow		1,621,348	1,126,004	2,488,763	1,092,877	689,443	1,207,357	524,058	331,108	382,578	740,408	265,100	181,286	10,650,329
Closing cash balance		3,958,383	5,084,387	7,573,150	8,666,026	9,355,470	10,562,826	11,086,884	11,417,992	11,800,570	12,540,977	12,806,077	12,987,364	12,987,364

The above financial projections are based on management's assumptions detailed in Appendix "1-1".
The note references correspond to the assumption numbers shown in Appendix "1-1".

METRO 360

Per:

APRIL 6, 2020

Date

KSV KOFMAN INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL AND NOT
IN ITS PERSONAL CAPACITY

Per: DAVID SIERADZKI

April 6, 2020

Date

Metro 360 General Partnership

Notes to Projected Statement of Cash Flow

For the Period Ending June 26, 2020

(Unaudited; $C)

Appendix "1-1"

Purpose and General Assumptions

1. The purpose of the projection is to present a forecast of the cash flow of Metro 360 General Partnership ("Metro") for the period April 4, 2020 to June 26, 2020 (the "Period"). Neither Rosebud Creek Financial Corp. or 957855 Alberta Ltd. is projected to have any business operations and/or cash flow activity during the Period.

Hypothetical

2. Represents projected collections of accounts receivables.

Most Probable

3. Reflects collection of the purchase in accordance with the transaction with Great Pacific Enterprises Inc.

4. Reflects payment of gross payroll.

5. Reflects payments to vendors in respect of Metro's continuing operations.

6. Reflects payment of rent and utilities at Metro's head office.

7. Reflects payment of operating costs, such as contractors for IT, travel, phone charges, bank charges and software.

8. Reflects payments to Metro's merchandisers and ONS drivers.

9. Reflects estimated professional costs for of the Proposal Trustee, its counsel and Metro's counsel.