

October 29, 2020

Dear Valued Members,

As promised in our last email to members, I'm writing to update you on the latest developments relating to Mountain Equipment Co-operative's future.

On October 2, 2020, Justice Fitzpatrick of the BC Supreme Court approved the sale transaction of substantially all of Mountain Equipment Co-operative's assets to Kingswood Capital Management's Canadian affiliate. Both parties have been working hard to complete the sale, which we expect to close imminently. A public announcement will be made once the sale has completed.

We are pleased to report that the number of stores that Kingswood's Canadian affiliate, MEC Canada Inc. ("MEC Canada"), will assume and continue to operate under the MEC and Mountain Equipment brands has increased from the previously announced 17 stores to 21 of the 22 MEC stores operating at the beginning of 2020. This includes plans by MEC Canada to shortly re-open four stores that Mountain Equipment Co-operative (the "Co-operative") had not yet re-opened since the shutdown in March of 2020 primarily due to the Covid 19 pandemic. The operation of 21 MEC stores by MEC Canada results in a larger number of our valued MEC employees retaining their employment. In fact, over 85% of active employees or over 1,250 positions will be retained by MEC Canada. The e-commerce business will also continue to be operated by MEC Canada and provides all Canadians the opportunity to continue to purchase their outdoor gear with expert advice from MEC Canada at the MEC.ca website.

As we previously announced, the new MEC Canada has agreed to honour all outstanding gift cards and warranties. In addition, MEC Canada will maintain the MEC Rocksolid Guarantee and is committed to rolling out a loyalty program benefiting all members.

After the sale is completed, the Co-operative will remain under court protection under the Companies' Creditors Arrangement Act ("CCAA"). Subject to the Court's approval, Alvarez & Marsal Canada Inc. will continue under the CCAA process in its role as independent monitor (the "Monitor") to manage the remaining business and financial affairs of the Co-operative. In the coming months, the Co-operative will seek approval from the Court pursuant to the CCAA relating to a claims process for creditors of the Co-operative. The Co-operative will also be changing its name to 1077 Holdings Co-operative as is required by the Court order and to avoid confusion with the retail business to be carried out by MEC Canada. Once the sale is complete, information pertaining to the Co-operative and any communication by the Co-operative to members will be posted on the new website of the Co-operative located at: <https://www.1077holdingscooperative.ca/>. This new website will be live and accessible sometime shortly after the closing of the sale.

Once the sale transaction is complete, communication about the MEC retail business will come from MEC Canada who are keen to update you on their future plans and aspirations for the MEC brand.

Thank you for your commitment to MEC,

Judi Richardson  
Chair of the Board of Directors, Mountain Equipment Co-operative