



# A MESSAGE FROM MEC'S BOARD OF DIRECTORS

*September 18, 2020*

Dear valued member,

We recognize this has been an unsettling week for members. The sale of MEC's business, and the decision to move the business away from the co-operative model was, after all, a very difficult decision – but it was the right one. Facing a stark choice, we chose to preserve employment opportunities, a larger store presence, and a commitment to MEC's ethos rather than fold up the MEC tent for good.

As you may know, this week, MEC filed for protection under the Companies' Creditors Arrangement Act ("CCAA"). Effectively, this was a recognition that MEC was financially insolvent, and in dire need of support to continue moving forward. Fortunately, at the same time, our Board of Directors announced unanimous support for an agreement with Kingswood Capital Management, LP. The agreement with Kingswood will ensure that MEC has a brighter future.

We've heard your questions, let us attempt to answer them:

## **First, you're probably wondering, "what happened?"**

MEC has experienced increasing performance issues since 2016. In July 2019, new leadership was brought in to develop a plan to turn MEC around. We were making significant progress but then the global pandemic hit and exacerbated MEC's financial challenges.

A Special Committee of the Board engaged in an extensive examination of options to address the persistent financial issues. As part of the review, the Special Committee, in concert with expert advisors, sought refinancing from over 65 potential lenders, proactively explored and leveraged applicable government support programs, and examined funding MEC through voluntary member assessments.

Ultimately, a sale was the only option that would save MEC from bankruptcy or liquidation.

## **We've been asked, "what is CCAA?" and "why don't members vote on this decision?"**

Our persistent financial challenges combined with the pandemic created a situation in which MEC became insolvent, and this necessitated a filing under CCAA. In CCAA, the court oversees the restructuring process to ensure fairness. A member vote (or in the case of corporations, a shareholder vote) is not required.

CCAA allows an organization to maintain its business 'in the ordinary course' while giving it the breathing room necessary to restructure its affairs. This is done to preserve as much of its business as

possible for the benefit of employees, members/customers, suppliers and other stakeholders in the communities in which it operates.

**Many are wondering “why wasn’t the board more forthcoming or transparent?”**

First of all, we understand that many are upset and apologize for not communicating more or sooner. As a member-based co-op, we know the importance of transparency, and value co-operative principles. But in exercising our fiduciary duty, the board’s top priority was preserving jobs and saving MEC from bankruptcy or liquidation. In short, we prioritized MEC’s survival.

Since our founding in 1971, MEC’s deeply loyal members have been synonymous with who we are and what we do. That will not change. MEC will continue, and our values will be maintained, though it may look a little different.

Kingswood’s commitment to honouring the MEC ethos through their Canadian affiliate and the solid financial footing from this transaction gives us tremendous confidence in the future. The Kingswood team, and the incoming CEO, Canadian and longtime MEC member Eric Claus, are very optimistic about MEC’s future. That optimism was at the heart of the board’s decision to enter into this agreement. For more information see: [www.alvarezandmarsal.com/MEC](http://www.alvarezandmarsal.com/MEC).

Guided by the last 50 years, we look forward to MEC’s continued service to communities across Canada enabling everyone to lead an active outdoor lifestyle.

Thank you for your commitment to MEC,

Judi Richardson  
Chair of the Board of Directors