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IN THE MATTER OF THE BANKRUPTCY OF
11909509 CANADA INC.
OF THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO

TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS ON PRELIMINARY ADMINISTRATION ESTATE NO. 31-2666153

I. BACKGROUND

On August 20, 2020 (the "**Bankruptcy Date**"), 11909509 Canada Inc. (the "**Company**") by and through its Court-appointed Monitor, Alvarez & Marsal Canada Inc. (in such capacity and not in its personal or corporate capacity, the "**Monitor**"), filed an assignment into bankruptcy, and Alvarez & Marsal Canada Inc., was appointed as the licensed insolvency trustee of the estate of the bankrupt (in such capacity, the "**Trustee**") by the Official Receiver. Such appointment is subject to affirmation by the creditors of the Trustee's appointment or substitution of another trustee by such creditors.

Comark Holdings Inc., Bootlegger Clothing Inc., cleo fashions Inc. and Ricki's Fashions Inc. (collectively, the "**Comark Entities**") are Canadian specialty apparel retailers with a nationally recognized portfolio of banners and exclusive private label brands. The Comark Entities operate under the three store banners: Bootlegger, cleo and Ricki's. Prior to the onset of the COVID-19 pandemic, the Comark Entities were experiencing financial challenges and planning for a streamlining of their business operations and store footprint. These challenges were significantly exacerbated commencing in mid-March 2020, when the Comark Entities closed all 310 of their retail stores across Canada due to the COVID-19 pandemic.

On June 3, 2020 (the "**CCAA Filing Date**"), the Comark Entities were granted an initial order (the "**Initial Order**") by the Ontario Superior Court of Justice (Commercial List) (the "**Court**") to commence proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended. Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. was appointed as Monitor.

Following the CCAA Filing Date, 9383921 Canada Inc. ("**ParentCo**") delivered to the Comark Entities an indicative term sheet, setting out the terms upon which it would be willing to complete a going concern transaction in respect of substantially all of the Comark Entities' property. On June 11, 2020, the Comark Entities sought and obtained an Order of the Court authorizing the implementation of a two-phased sale and investment solicitation process (the "**SISP**") to solicit interest in and opportunities for a sale or liquidation of, or investment in, all or part of the Property and/or Business, including proposals from third parties for the liquidation of the Comark Entities' inventory, furniture, equipment and fixtures.

On July 7, 2020, in accordance with the SISP, ParentCo submitted an executed share purchase agreement (the "**ParentCo Purchase Agreement**"). Following review of the ParentCo Purchase Agreement and in light of the fact that the SISP did not yield any alternative going concern proposals, the Comark Entities, in consultation with the Monitor and CIBC (the Comark

Entities' primary secured lender), designated the ParentCo Purchase Agreement as the successful bid.

The contemplated transaction under the ParentCo Purchase Agreement (the "**ParentCo Transaction**") was approved by the Court pursuant to the Approval and Vesting and CCAA Termination Order made on July 13, 2020 (the "**Approval Order**"). Upon execution of the transaction and delivery of the Monitor's Certificate to ParentCo on August 11, 2020, the Company was added as an applicant to the CCAA Proceedings and assumed all assets, liabilities and contracts excluded from the ParentCo Transaction. On that date, the Comark Entities also ceased to be applicants in the CCAA Proceedings.

Pursuant to the Approval Order, the Monitor was authorized to file an assignment into bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) ("**BIA**") on behalf of the Company at any time following the delivery of the Monitor's Certificate related to the completion of the ParentCo Transaction. The bankruptcy assignment was filed on August 20, 2020, at which time the CCAA Proceedings were terminated in accordance with the Approval Order.

As at the Bankruptcy Date, the Company had no operations.

For a detailed description of the CCAA proceedings and an overview of the ParentCo Transaction, creditors should refer to the reports of the Monitor filed in the CCAA proceedings, which can be found on the Monitor's website at: https://www.alvarezandmarsal.com/comarkholdings. Documents related to the bankruptcy of the Company are also available at the same website.

II. CAUSES OF BANKRUPTCY & FINANCIAL POSITION

The bankruptcy of the Company results from the CCAA Proceedings, ParentCo Transaction and the Approval Order. Assets, liabilities and contracts that were excluded from the ParentCo Transaction were transferred to and vested in the Company pursuant to the Approval Order.

The Statement of Affairs reflects a shortfall of assets to liabilities of approximately $9.7 million as at the Bankruptcy Date.

III. ASSETS

The only asset of the Company is a deposit of $65,000 paid to the Trustee pursuant to the ParentCo Transaction to administer the bankruptcy proceedings of the Company.

IV. CONSERVATORY AND PROTECTIVE MEASURES

As noted above, the only asset of the Company is a deposit of $65,000 paid to the Trustee to administer the bankruptcy proceedings. The Company has minimal books and records, beyond those records related to the assets, liabilities and contracts transferred to and vested in the Company pursuant to the ParentCo Transaction. The Company had no operations. The Trustee has taken the following actions to secure the Company's books and records:

1. Obtained employment, payroll and other creditor records considered necessary to administer the bankruptcy; and
2. Confirmed that other books and records are secured and available for review by the Trustee and will not be disposed of without prior written permission from the Trustee.

V. BOOKS AND RECORDS

The Company was incorporated under the *Canada Business Corporations Act* on June 26, 2020. The Company has not operated between the time of its incorporation and the Bankruptcy Date (August 20, 2020). As such, the books and records of the Company are minimal, beyond those records provided to the Trustee for purposes of administering the bankruptcy. The Company's registered office is located at 100 King Street West, Toronto, Ontario, M5X 1B8, being the offices of the Company's legal counsel.

The Trustee has confirmed that there is reasonable access to the books and records of the Company, including employment and payroll records, as required for the administration of the bankruptcy proceedings.

VI. SECURITY FOR UNPAID WAGES – SECTION 81.3 CLAIMS

The Trustee understands that as of the Bankruptcy Date, the Company had no amounts owing to former employees of the Company under section 81.3 of the *BIA*. The Trustee understands that all section 81.3 claims were paid during the CCAA Proceedings.

VII. PREFERRED AND UNSECURED CREDITORS

As noted in the Statement of Affairs, as of the Bankruptcy Date, there were nearly 500 preferred and unsecured creditors, with claims totaling approximately $9.7 million. Preferred creditor amounts of approximately $558,000 relate primarily to unpaid amounts under the Company's store leases, but do not include any contingent amounts for losses or damages resulting from the disclaiming of a number of such leases.

It is anticipated that there will be no funds available for a distribution to the unsecured creditors.

VIII. PROVABLE CLAIMS

As of the date of this Trustee's Report, the Trustee has received filed Proofs of Claim, as follows:

Type of Claim	Number of Claims	Value of Claims ($ CAD)
Preferred	1	$8,177.43
General Unsecured	11	$209,516.56
Employees Unsecured	47	$1,414,832.18

IX. PREFERENCE PAYMENTS AND TRANSFERS UNDER VALUE

As described above, the Company had no operations during the approximately two-month period between the time of its incorporation and the Bankruptcy Date. Claims in the bankruptcy result from the CCAA Proceedings, ParentCo Transaction and Approval Order. The Trustee does not believe there were any transactions that would constitute preference payments or transfers under value.

X. TRUSTEE'S FEES AND DISBURSEMENTS

Pursuant to the ParentCo Transaction, in consideration for consenting to act in these bankruptcy proceedings, the Comark Entities paid a deposit of $65,000 to the Trustee for the Trustee's fees and disbursements to administer the bankruptcy.

The Trustee's fees and disbursements will be subject to the provisions of the BIA and taxation by the Court.

Further information relating to these bankruptcy proceedings may be obtained from Alvarez & Marsal's website at: www.alvarezandmarsal.com/comarkholdings.

Dated at Toronto, this 8th day of September 2020.

Alvarez & Marsal Canada Inc.,
in its capacity as Trustee in Bankruptcy of 11909509 Canada Inc., and not in its personal or corporate capacity

AHutchens

Alan J. Hutchens, LIT
Senior Vice-President

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