Court File No.: CV-20-00642013-00CL

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 COMARK HOLDINGS INC., BOOTLEGGER CLOTHING INC., CLEO FASHIONS INC. AND RICKI'S FASHIONS INC.

FIRST REPORT OF THE MONITOR ALVAREZ & MARSAL CANADA INC.

JUNE 10, 2020

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1.0 INTRODUCTION

1.1 On June 3, 2020 (the "**Filing Date**"), Comark Holdings Inc. ("**Comark**"), Bootlegger Clothing Inc. ("**Bootlegger**"), cleo fashions Inc. ("**cleo**") and Ricki's Fashions Inc. ("**Ricki's**") (collectively, the "**Applicants**" or the "**Comark Group**") obtained an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). The proceedings are referred to herein as the "**CCAA Proceedings**".

1.2 The Monitor filed the Pre-Filing Report of the Proposed Monitor (the "**Pre-Filing Report**") prior to the commencement of the CCAA Proceedings. The Pre-Filing Report and other Court-filed documents in the CCAA Proceedings are available on the Monitor's case website at www.alvarezandmarsal.com/comarkholdings (the "**Case Website**"). A copy of the Pre-Filing Report is attached hereto as **Appendix "A"**.

1.3 The Initial Order, among other things:

(i) appointed Alvarez & Marsal Canada Inc. ("**A&M**") as monitor in the CCAA Proceedings (in such capacity, the "**Monitor**");

(ii) granted a stay of proceedings against the Applicants up to and including June 13, 2020 (the "**Stay Period**");

(iii) ordered that the Applicants pay rent (A) with respect to leased premises of the Applicants that were lawfully entitled to be open to the public for the ordinary course business operations of the Applicants as of the Filing Date ("**Open Stores**") for the period commencing from June 1, 2020, in advance twice-monthly in equal payments on the first and fifteenth day of each month, and (B) with respect to leased premises that were not lawfully entitled to be open to the public for the ordinary course business operations of the Applicants as of the Filing Date ("**Closed Stores**"), for the period commencing on the date such Closed Store is lawfully entitled to be open to the public for the ordinary course business operations of the Applicants, in advance twice-monthly in equal payments on the first and fifteenth day of each month; and

(iv) ordered an Administration Charge and a Directors' Charge up to a maximum amount of $450,000 and $1.5 million, respectively.

1.4 The Applicants are apparel retailers, headquartered in Mississauga, Ontario, with 310 stores and approximately 2,500 employees across Canada that operate under the Bootlegger, cleo and Ricki's banners. The retail stores operate in eight of the ten Canadian provinces, with Quebec and Prince Edward Island being the exceptions. Each banner entity operates an e-commerce platform through consumer direct websites.

1.5 Prior to the onset of the COVID-19 pandemic, the Applicants were experiencing financial challenges and planning for a streamlining of their business operations and store footprint. The Applicants' liquidity challenges were significantly exacerbated commencing in mid-March 2020, when the Applicants closed all of their brick and mortar stores across Canada and laid off the vast majority of their employees due to the COVID-19 pandemic. In response to the store closures, the Applicants' supply chain came to a halt and the Comark Group did not pay rent for its retail stores for the months of April and May. For the three-month period from March through May 2020, the Applicants' sales were down $50 million from the comparable prior year period. Following the granting of the Initial Order, the Applicants paid rent for Open Stores for the period June 1 to 15, 2020.

1.6 In light of their liquidity crisis and the uniquely challenging circumstances arising from the COVID-19 pandemic, the Applicants are pursuing a restructuring on a highly accelerated basis. Following the granting of the Initial Order, the Applicants contacted their landlords to: (i) notify them of the CCAA Proceedings; and (ii) provide a presentation document outlining the Applicants' restructuring plan and accelerated timeline, including proposed revised lease terms for each of the stores leased by the specific landlord. The Applicants will need to finalize consensual lease amendments for a critical mass of their leased retail locations (the "**Rent Restructuring Plan**") by no later than June 19, 2020 in order to be able to achieve a going concern solution. If the revised lease arrangements cannot be finalized in short order, the Applicants will be unable to continue normal course business operations and may be forced to liquidate.

1.7 The Pre-Filing Report and the affidavit of Gerald Bachynski, President of Comark and Chief Executive Officer of each of the other Applicants, sworn on June 2, 2020 (the "**First Bachynski Affidavit**") and filed in connection with the Comark Group's application for the Initial Order, described the relief that the Applicants expected to seek at the comeback hearing. As described at sections 1.6 and 10.1 of the Pre-Filing Report, the relief to be sought by the Applicants at the comeback hearing included approval of: (i) a DIP financing facility to be provided by CIBC; (ii) a sale process and timeline to submit potential transactions for the business and assets of the Applicants, supported by a non-binding transaction term sheet from ParentCo; and (iii) sale guidelines with respect to the liquidation of stores that will be closed by the Applicants.

1.8 The purpose of this report (the "**First Report**") is to provide the Court with information, and where applicable, the Monitor's views on:

(i) the Applicants' motion for an amended and restated initial order (the "**Amended and Restated Initial Order**") which modifies the Initial Order, among other things, as follows:

(a) authorizes the Applicants, with the assistance of the Monitor, to conduct liquidation sales for closing stores in accordance with the sale guidelines attached as Appendix "A" to the Amended and Restated Initial Order (the "**Sale Guidelines**");

(b) in light of arrangements negotiated with certain of the Applicants' largest landlords, replaces the provisions in paragraph 8 of the Initial Order relating to the payment of rent with the wording substantially in the form of the model CCAA initial order requiring the Applicants to pay rent for all leased premises (including Closed Stores) for the period commencing on the Filing Date, in advance twice monthly in equal payments on the first and fifteenth day of each month (except for any component of rent comprising percentage rent, which shall be calculated and paid in accordance with the terms of the applicable lease);

(c) authorizes the Applicants to borrow under an interim financing credit facility (the "**DIP Facility**") with Canadian Imperial Bank of Commerce ("**CIBC**" and, in its capacity as lender under the DIP Facility, the "**DIP Lender**") based on the terms and conditions of the term sheet between the

Applicants and the DIP Lender dated as of June 10, 2020 (the "**DIP Term Sheet**"), and grants the DIP Lender a priority security charge over the Applicants' Property (the "**DIP Lender's Charge**") to secure the obligations under the DIP Facility; and

(d) increases the Administration Charge and the Directors' Charge up to a maximum amount of $750,000 and $2.7 million, respectively;

(ii) the Applicants' motion to seek approval of a sale and investment solicitation process to determine market interest in potential sale, investment and liquidation transactions in respect of the Comark Group and its business and assets (the "**SISP**");

(iii) the priority of the Court-ordered charges sought in the Amended and Restated Initial Order;

(iv) the activities of the Monitor since the Filing Date;

(v) the proposed extension of the Stay Period to and including August 15, 2020; and

(vi) the Monitor's conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Report, A&M, in its capacity as Monitor, has been provided with, and has relied upon, unaudited financial information, books and records and other business and financial information prepared by the Comark Group and has held discussions with management of the Comark Group and its legal counsel (collectively, the "**Information**").

Except as otherwise described in this Report in respect of the Comark Group's cash flow forecast:

(i) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the *Chartered Professional Accountants Canada Handbook* (the "**CPA Handbook**") and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

(ii) some of the information referred to in this First Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

2.2 Future oriented financial information referred to in this First Report was prepared based on the Comark Group's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

2.3 This Report should be read in conjunction with the First Bachynski Affidavit and the affidavit of Gerald Bachynski sworn on June 9, 2020 (the "**Second Bachynski Affidavit**") for additional background and other information regarding the Applicants. Capitalized terms used and not defined in this Report have the meanings given to them in the Initial Order or the Second Bachynski Affidavit.

2.4 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

3.0 LIQUIDATION SALES FOR CLOSING STORES

3.1 Following the granting of the Initial Order on June 3, 2020, the Applicants delivered notices to disclaim nine retail store leases. As described in the Pre-Filing Report, the Applicants currently intend to disclaim the leases for an additional 15 retail stores as soon as those stores can re-open to the public and an inventory liquidation can be carried out. The Applicants may be required to disclaim additional leases during the CCAA Proceedings if consensual lease amendments cannot be agreed between the Applicants and the applicable landlord.

3.2 The Applicants have developed the Sale Guidelines to establish the process by which the Applicants will liquidate the inventory, furniture, fixtures and equipment ("**FF&E**") at the retail stores for which the Applicants have delivered a disclaimer notice. The Sale Guidelines provide that each liquidation sale shall be conducted in accordance with the applicable lease and other occupancy agreement for the applicable store, except as expressly set out in the Sale Guidelines or any Court order or as may be agreed to by the Applicants and the applicable landlord.

3.3 The Sale Guidelines set out a protocol for such matters as the advertising of liquidation sales, the form of signage that can be used by the Applicants, the process for the sale of any FF&E, access rights of the Applicants and the landlord, and the manner in which any disputes are to be addressed. The Monitor understands that the Sale Guidelines are in substance consistent with guidelines that have been established in connection with self-liquidation processes in other recent CCAA proceedings involving retailers. The Monitor understands that counsel to certain of the Applicants' landlords with a significant number of leased locations have provided their input on the development of the Sale Guidelines.

3.4 The Sale Guidelines have been developed for a self-liquidation process conducted by the Applicants. In the event that a going concern transaction cannot be achieved and the Applicants determine to proceed with a liquidation of their entire store network undertaken or managed by a third-party liquidator, the Applicants will return to Court to seek approval of the liquidation and amended Sale Guidelines to reflect the revised arrangements.

4.0 DEBTOR-IN-POSSESSION FINANCING

4.1 As described in the Pre-Filing Report, the Applicants have limited liquidity; they are now expected to exhaust their remaining liquidity in approximately three weeks. As a result, the Applicants require DIP financing during the CCAA Proceedings to continue business operations while they pursue a going concern outcome for the business.

4.2 The Comark Group has obtained a commitment for a $10 million DIP Facility from CIBC, the Applicants' senior secured lender. The DIP Facility will provide the Applicants with the funds needed to continue normal course business operations while the Applicants attempt to negotiate consensual lease amendments with their landlords and conduct the proposed SISP on an expedited basis to pursue a going concern outcome for their business.

4.3 The DIP Facility is governed by a Debtor-in-Possession Financing Term Sheet (the "**DIP Term Sheet**"), a copy of which is attached hereto as **Appendix "B"**. The key terms of the DIP Term Sheet are set out in the table below. Capitalized terms used and not defined in the table have the meanings given to them in the DIP Term Sheet.

DIP Term Sheet – Summary of Key Terms	
Borrowers	• Comark Holdings Inc., Ricki's Fashions Inc., cleo fashions Inc. and Bootlegger Clothing Inc.
DIP Lender	• Canadian Imperial Bank of Commerce
Commitment	• The DIP Facility is a revolving credit facility up to a maximum principal amount of \$10 million, to be advanced as follows (subject to the satisfaction of the advance conditions): (a) up to a maximum principal amount of \$4 million up to and including June 25, 2020 (the "**Initial Commitment**"); and (b) up to a maximum principal amount of \$6 million after June 25, 2020 (the "**Incremental Commitment**").
Conditions to the Initial Commitment	• The DIP Lender's obligation to make any Loan under the Initial Commitment is conditional upon, among other things: (a) the granting by the Court of orders in a form satisfactory to the DIP Lender, on or before June 11, 2020, (i) approving the DIP Facility and granting the DIP Lender's Charge, (ii) approving the SISP, and (iii) approving the Sale Guidelines; (b) receipt of the cash flow, financial information and other reporting contemplated in the DIP Term Sheet; (c) execution and delivery of a guarantee from ParentCo on the terms set out in the DIP Term Sheet (the "**ParentCo Guarantee**"); (d) the Directors' Charge and the Pre-Filing CIBC Security shall have the following ranking on the Property as among them: (i) the Directors' Charge up to a maximum amount of \$1.35 million; (ii) the Pre-Filing CIBC Security up to a maximum amount of \$3 million; and (iii) the Directors' Charge up to a maximum amount of \$1.35 million; (e) the Applicants shall be in material compliance with timelines established from time by time by them and approved by the DIP Lender setting out the SISP and the Sale Guidelines; and (f) the DIP Lender is satisfied that no circumstance or change has occurred that would have a material adverse effect on (i) the Applicants' ability to perform any material obligation under the DIP Term Sheet or any order made in the CCAA Proceedings, or (ii) the validity or enforceability of the DIP Lender's Charge.

Conditions to the Incremental Commitment	• The DIP Lender's obligation to make any Loan under the Incremental Commitment is conditional upon, among other things: (a) the satisfaction of all conditions in respect of the Initial Commitment; (b) compliance with the timelines in the SISP in all material respects; (c) delivery to the DIP Lender on or before June 25, 2020 of an updated cash flow forecast acceptable to the DIP Lender reflecting the results of the SISP; and (d) delivery to the DIP Lender on or before June 24, 2020 of copies of all proposals and agreements received pursuant to the SISP, including any credit bid transaction agreement.
Interest, Fees and Costs	• Interest of 8.0% per annum, calculated and paid monthly in arrears. • Upfront fee of $40,000 plus, subject to the satisfaction of all conditions in respect of the Incremental Commitment, an incremental fee of $60,000, payable from the proceeds of Loans. • Applicants will pay the reasonable and documented legal fees, financial advisor fees and other out-of-pocket disbursements of the DIP Lender in connection with the CCAA Proceedings.
Termination Date	• All Loans under the DIP Facility shall be repaid by the Applicants on the earlier of: (a) an Event of Default under the DIP Term Sheet; (b) the closing date of a sale transaction or implementation of a CCAA plan of compromise and arrangement; (c) termination of the CCAA proceedings; and (d) September 1, 2020.
Covenants of the Applicants	• The Applicants are required to comply with certain covenants until the Termination Date, including that the Applicants shall: (a) obtain the DIP Lender's written consent prior to seeking the Court's approval of any Successful Bid under the SISP, unless such Successful Bid provides for the payment in full of all obligations owing under the DIP Facility and the Comark Credit Agreement; (b) not seek the Court's sanctioning of a Plan or approval of the liquidation of all Property other than as contemplated by the Sale Guidelines or the SISP; (c) not make any payments that are inconsistent with the Agreed Budget and the Initial Order; (d) not create or permit to exist any indebtedness other than existing pre-Filing Date debt, debt contemplated by the DIP Term Sheet or the Agreed Budget, or other permitted unsecured obligations incurred in the ordinary course of business during the CCAA Proceedings; (e) not purchase any additional inventory except in accordance with the Agreed Budget, provided that the Applicants shall not purchase any additional inventory prior to June 25, 2020; and

	(f) not create, seek or support a motion by another party seeking an order that would result in any liens or charges against the Property that would rank in priority to the DIP Lender's Charge or the Pre-Filing CIBC Security, other than the Administration Charge, the Directors' Charge and statutory super-priority liens for unpaid source deductions and taxes.
Events of Default	• The Events of Default under the DIP Term Sheet include: (a) issuance of a Court order dismissing the CCAA proceedings or granting a lien that is senior or *pari passu* with the DIP Lender's Charge other than the Administration Charge; (b) non-compliance with the cash flow variance testing set out in the DIP Term Sheet; and (c) the approval of any sale or restructuring that is not consistent with the DIP Term Sheet in a manner that would be materially adverse to the interests of the DIP Lender, unless the DIP Lender has consented to such transaction or such transaction provides for payment in full of all obligations owing under the DIP Facility and the Comark Credit Agreement.
DIP Collateral	• All obligations under the DIP Facility are secured by the DIP Lender's Charge. • Additional collateral in the form of the ParentCo Guarantee.

4.4 The Monitor notes the following with respect to the DIP Facility:

(i) the terms of the DIP Term Sheet are the result of extensive negotiations between the Comark Group and the DIP Lender and their respective advisors with the oversight of the Monitor;

(ii) having regard to the circumstances of this case – including the position of the DIP Lender as the senior secured pre-filing lender to the Applicants, the DIP Lender's familiarity with the Applicants, the need for funding on an urgent basis, and the nature of and expedited timelines for the Applicants' restructuring – the Monitor believes that the DIP Facility is the best and only option for DIP financing currently available to the Applicants;

(iii) the Monitor understands that counsel to the DIP Lender advised counsel to the Comark Group that the DIP Lender will not support the CCAA Proceedings without approval of the DIP Facility and would not agree to be "primed" by a third-party DIP facility;

(iv) if approved by the Court, the DIP Facility is projected to provide the Comark Group with sufficient liquidity to undertake a restructuring transaction on the timelines contemplated pursuant to the SISP; and

(v) the Monitor compared the pricing and other financial terms of the DIP Term Sheet to other DIP facilities approved by Canadian courts in other CCAA proceedings. Based on the Monitor's review, the financial terms of the proposed DIP Term Sheet are consistent with other similar recently-approved DIP facilities.

4.5 The Agreed Budget for purposes of the DIP Term Sheet is the cash flow forecast for the 13-week period from May 31, 2020 to August 29, 2020 (the "**Cash Flow Forecast**") attached as Appendix "B" to the Pre-Filing Report. When the Cash Flow Forecast was prepared in connection with the CCAA filing, it was not known, and therefore not anticipated, that any of the Applicants' 92 Closed Stores in Ontario would be legally permitted to re-open before July 1, 2020. On June 8, 2020, the Government of Ontario announced that shopping malls in certain regions would be permitted to re-open on June 12, 2020. As such, certain of the Ontario Closed Stores will be re-opening in the coming weeks. Given the upfront costs associated with re-opening these stores – including the payment of rent and wages during the period when the stores are making preparations to re-open to the public and therefore not generating sales revenue – the re-opening of these stores is expected to reduce the Applicants' liquidity in the short term.

4.6 The Applicants achieved higher-than-forecast sales in the first week of the Cash Flow Forecast and will have lower-than-forecast inventory purchases in the coming weeks due to their agreement under the DIP Facility to not purchase inventory prior to June 25, 2020. As such, it is expected that the Applicants will still have sufficient liquidity to manage the increased rent payments associated with the earlier than anticipated re-opening of Ontario Closed Stores and the changes to the Amended and Restated Initial Order relating to the payment of rent. Accordingly, the DIP Facility is currently expected to provide the Applicants with the necessary liquidity to continue operations and fund these CCAA proceedings within the Agreed Budget.

4.7 The Monitor supports the approval of the DIP Facility and the granting of the DIP Lender's Charge as it will provide the liquidity required by the Applicants while they seek to negotiate consensual lease amendments, conduct the proposed SISP and pursue and potentially implement a going concern solution (and avoid a liquidation) on an expedited basis, as is necessary based on the Applicants' financial circumstances.

5.0 SALE AND INVESTMENT SOLICITATION PROCESS

5.1 Pursuant to the Initial Order, the Applicants were authorized to pursue all avenues of refinancing, restructuring, sale or reorganizing the Company's business or property, in whole or part, subject to prior approval of the Court before any material refinancing, restructuring, sale or recapitalization is concluded.

5.2 As described in the Pre-Filing Report, following the granting of the Initial Order, the Monitor commenced initial marketing efforts in respect of the Comark Group given the Applicants' intention to seek Court approval of and pursue the SISP on an expedited basis. The Monitor has contacted an initial list of parties that the Applicants and Monitor believe may have an interest in acquisition, investment or liquidation transactions in respect of all or part of the business and assets of the Applicants. To date, the Monitor has contacted 17 parties to determine their interest in the opportunity.

5.3 At the comeback hearing, the Applicants are seeking approval of the SISP. The purpose of the SISP is to seek proposals: for the purchase of all or a part of the Applicants' property (a "**Sale Proposal**"); for an investment in or restructuring or refinancing of the Applicants and their business (an "**Investment Proposal**"); and to conduct or advise with respect to a liquidation of the Applicants' inventory and FF&E (a "**Liquidation Proposal**") in the event there is no going concern solution. Capitalized terms used and not defined in this section of the First Report have the meanings given to them in the SISP.

5.4 The SISP is structured as a two phase process. In Phase 1, potential bidders that have signed a non-disclosure agreement with the Applicants and become Phase 1 Qualified Bidders will have the opportunity to gain access to confidential information of the Comark Group and conduct due diligence. Any Phase 1 Qualified Bidder that wishes to pursue a potential transaction must deliver a non-binding letter of interest (an "**LOI**") to the Applicants prior to the Phase 1 Bid Deadline on June 22, 2020.

5.5 As the outcome of the Applicants' discussions with their landlords regarding consensual lease amendments is expected to be an important consideration for potential bidders, the

SISP provides that Phase 1 Qualified Bidders will be provided with the Rent Restructuring Plan prior to the Phase 1 Bid Deadline.

5.6 As described in the Second Bachynski Affidavit, the Applicants have received a non-binding transaction term sheet from 9383921 Canada Inc. ("**ParentCo**") setting out the terms upon which it is prepared to acquire the business and assets of the Comark Group on a going concern basis. The SISP provides that, should ParentCo wish to proceed with the transaction, it must deliver an executed purchase agreement (the "**ParentCo Purchase Agreement**") to the Applicants and the Monitor by the Phase 1 Bid Deadline. The ParentCo Purchase Agreement will be provided to each Qualified Phase 2 Bidder. Under the SISP, ParentCo is deemed to be a Qualified Phase 1 Bidder and, if ParentCo submits a ParentCo Purchase Agreement, its proposed transaction shall constitute a Phase 2 Qualified Bid.

5.7 In Phase 2 of the SISP, each Qualified Phase 2 Bidder will have the opportunity to submit a binding written offer to complete a Sale Proposal, Investment Proposal or Liquidation Proposal. Qualified Phase 2 Bidders are also permitted to submit a binding offer in the form of the ParentCo Purchase Agreement that contains terms no less favourable than those contained in the ParentCo Purchase Agreement and provides for minimum consideration equal to that contemplated by the ParentCo Purchase Agreement plus no less than $100,000 (an "**Overbid**"). All binding transaction proposals, including any Overbid, must be received by the Phase 2 Bid Deadline on June 24, 2020.

5.8 The Applicants, in consultation with the Monitor and the DIP Lender, will review the Phase 2 Qualified Bids and identify the highest or otherwise best bid as the Successful Bid under the SISP. The Applicants may, in consultation with the Monitor, aggregate separate non-overlapping Phase 2 Qualified Bids as the Successful Bid. A Court hearing for approval of the Successful Bid shall occur on or prior to June 30, 2020. The target closing date for the Successful Bid is July 31, 2020.

5.9 The SISP provides that the SISP (including any deadlines thereunder) can be modified by the Applicants with the prior approval of the Monitor and the DIP Lender if, in the Applicants' business judgment, such modification will enhance the process or better achieve the objectives of the SISP.

5.10 The SISP is attached as Schedule A to the proposed SISP Approval Order. The following is a high-level summary of the stages, timeline and provisions of the SISP:

SISP Summary (Certain capitalized terms below have the meanings ascribed in the SISP)		
Phase/Event	**Timeline**	**Description of Activities**
Approval and Commencement of the SISP	June 11, 2020	• Hearing of Applicants' motion for the SISP Approval Order.
Phase 1	For a period 19 days after the granting of the Initial Order	• The Monitor and the Applicants will solicit non-binding letters of interest ("**LOI**"s). • Upon the execution of the NDA, Qualifed Phase 1 Bidders will receive access to a preliminary data room, as well as the outcome of the Rent Restructuring Plan when available (but prior to the Phase 1 Bid Deadline).
Rent Restructuring Plan Deadline	5:00pm ET on June 19, 2020	• Landlord deal deadline for completion of the Rent Restructuring Plan.
Phase 1 Bid Deadline	5:00pm ET on June 22, 2020	• Third-party non-binding LOIs must be delivered to the Applicants and the Monitor for consideration as "Qualified LOIs". Qualified LOIs must meet certain criteria as set out in the SISP, including that the purchase price or investment amount must be sufficient to repay in full in cash the aggregate amounts owing to the DIP Lender pursuant to the DIP Facility, CIBC pursuant to the credit agreement dated as of August 20, 2015, and ParentCo pursuant to the sponsor loan agreement dated

		as of August 20, 2015 and any other secured indebtedness owed by any of the Applicants to ParentCo. • ParentCo, if wishing to pursue a transaction, must deliver an executed copy of the ParentCo Purchase Agreement to the Applicants and the Monitor.
Assessment of Qualified LOIs, ParentCo Purchase Agreement, and Subsequent Process	11:59pm ET on June 22, 2020	• Qualified LOIs and the ParentCo Purchase Agreement received during Phase 1 assessed by the Applicants, in consultation with the Monitor and the DIP Lender, to determine whether any Phase 1 Qualified Bidder will be deemed a Phase 2 Qualified Bidder. • In the event that ParentCo has submitted the ParentCo Purchase Agreement, then ParentCo will be deemed to be a Phase 2 Qualified Bidder. • In the event that: o no Qualified LOI or ParentCo Purchase Agreement is received by the Phase 1 Bid Deadline, the Applicants shall bring a motion before the Court seeking advice and directions; o the ParentCo Purchase Agreement is received by the Phase 1 Bid Deadline and no Qualified LOI has been received, then ParentCo shall be deemed the Successful Bidder, and the Applicants shall seek approval of, and authority to consummate, the ParentCo Purchase Agreement and the transactions provided for therein at the Sale Approval Motion; and o at least one Qualified LOI has been received by the Phase 1 Bid Deadline, then the SISP shall proceed to Phase 2. • Upon the determination if Phase 2 shall proceed and the manner in which it shall proceed, the Applicants, in consultation with the Monitor and the DIP Lender, will prepare a bid process letter for Phase 2 (the "**Bid Process Letter**") • At any time following the Phase 1 Bid Deadline, the Applicants, in their reasonable business judgment and in consultation with the Monitor and the DIP Lender, may determine that Phase 2 is not required and proceed to execute definitive documentation contemplated in a Qualified LOI or the ParentCo Purchase Agreement submitted before the Phase 1 Bid Deadline.
Phase 2	Period of approximately 2 days after identification of Qualified LOIs (or such other period determined by the Monitor, in consultation with the Applicant and the DIP Lender)	• Phase 2 Qualified Bidders prepare irrevocable formal offers, with process outlined in the Bid Process Letter. • Phase 2 Qualified Bidders wishing to submit a formal offer must do so in accordance with the requirements set out in the SISP. • In the event that ParentCo has submitted the ParentCo Purchase Agreement, each Phase 2 Qualified Bidder shall be provided with a copy of the ParentCo Purchase Agreement and invited to submit a Superior Offer in a similar form and on terms no less favorable than those contained in the ParentCo Purchase Agreement that provides for minimum consideration equal to that

		contemplated by the ParentCo Purchase Agreement plus the Overbid. • An Overbid may be submitted in addition to or in the alternative of any bid submitted by a Phase 2 Qualified Bidder, and ParentCo may submit an Overbid.
Phase 2 Bid Deadline	3:00 pm ET on June 24, 2020	• Each bid submitted by a Phase 2 Qualified Bidder and any Overbids received will be reviewed by the Monitor, the Applicants, and the DIP Lender to determine which bids are to be deemend Phase 2 Qualified Bids, in accordinace with the requirements set out in the SISP.
Evaluation and Successful Bid Selection Deadline	11:59pm ET on June 24, 2020	• A Phase 2 Qualified Bid will be valued based upon numerous factors, including items such as the Transaction Amount or purchase price contemplated, the net value provided by such bid, the claims likely to be created by such bid in relation to other bids, the identity, circumstances and ability of the Phase 2 Qualified Bidder to successfully complete such transaction(s), the proposed transaction documents, the effects of the bid on the stakeholders of the Applicants, factors affecting the speed, certainty and value of the transaction, the assets included or excluded from the bid, any related restructuring costs, and the likelihood and timing of consummating such transactions, each as determined by the Applicants, in consultation with the Monitor and the DIP Lender. • Prior to the Successful Bid Selection Deadline, the Applicants, in consultation with the Monitor and the DIP Lender, will: (a) review and evaluate each Phase 2 Qualified Bid, provided that each Phase 2 Qualified Bid may be negotiated among the Applicants, in consultation with the Monitor, and the applicable Phase 2 Qualified Bidder, and may be amended, modified or varied to improve such Phase 2 Qualified Bid as a result of such negotiations; and (b) identify the Successful Bid.
Sale Approval Motion Date	10:00am ET on June 30, 2020, or such other time as the Court may advise	• Hearing of the Sale Approval Motion (as defined in the SISP).

General Comments Regarding the SISP

5.11 The SISP timeline was developed by way of negotiations among the Applicants, the Monitor, the DIP Lender and their respective advisors. All participants were cognizant of the significant liquidity issues facing the Applicants in determining the timelines for the SISP. The SISP and its timeline are supported by all of the aforementioned parties and the SISP is a requirement of the DIP Lender providing the DIP Facility. The SISP timelines were developed to balance the time required to administer all phases of a commercially reasonable sale and investment solicitation process and the available financial resources and business imperatives of the Applicants. The Monitor believes that the expedited timelines are necessary and appropriate in light of the Applicants' current circumstances. The SISP provides the flexibility for the Applicants, with the consent of the Monitor and the DIP Lender, to extend the deadlines in the SISP where doing so would better achieve the objectives of the SISP.

5.12 The Monitor will manage the day-to-day execution of the SISP. The Comark Group is required to assist and support the efforts of the Monitor as provided for in the SISP. In the event that clarification is required with respect to the SISP, the Monitor or the Applicants will seek the advice and direction of the Court.

5.13 The anticipated submission of the ParentCo Purchase Agreement and its disclosure to other Phase 2 Qualified Bidders prior to the Phase 2 Bid Deadline is intended to foster an efficient and competitive process in which all Phase 2 Qualified Bidders will have the opportunity to review the ParentCo Purchase Agreement and submit a Superior Offer.

5.14 At certain points in the SISP, continued negotiation and discussion will be required among the parties. The Monitor has been involved with the development of the SISP and believes such parties have been and will continue to act reasonably to achieve the best outcome for the Comark Group. Accordingly, the Monitor believes that the timeline and mechanics established by the SISP are commercially reasonable and will allow for an efficacious process to be conducted to determine if there is a viable going concern transaction for the Applicants' business. The SISP will enable the Applicants to concurrently pursue proposals for the best available liquidation transaction for the Applicants if a viable going concern solution for the Comark Group does not materialize.

5.15 Accordingly, the Monitor supports the granting of the SISP Approval Order.

6.0 RENT PAYMENT PROVISIONS IN THE PROPOSED AMENDED AND RESTATED INITIAL ORDER

6.1 The Initial Order granted on June 3, 2020 provides:

(i) for Open Stores, the Applicants shall pay all amounts constituting rent or payable as rent under the applicable lease or as otherwise may be negotiated between the Applicants and the applicable landlord ("**Rent**") for the period commencing from June 1, 2020, in advance twice-monthly in equal payments on the first and fifteenth of each month; and

(ii) for Closed Stores, Rent will be paid for the period commencing on (but not before) the date that such location is lawfully entitled to be open to the public for the ordinary course business operations of the Applicants, twice-monthly in equal instalments on the first and fifteenth of each month.

6.2 Since the granting of the Initial Order, the Applicants and the Monitor have engaged in discussions with the Applicants' landlords with respect to the Applicants' liquidity challenges, the timeline for the Applicants' restructuring process, and the business imperative of reaching agreement on revised lease terms with the Applicants' landlords. In the context of these discussions, a number of the Applicants' largest landlords indicated that the terms of the Initial Order providing for the non-payment of rent for Closed Stores was a sticking point that was impeding their ability to meaningfully engage with the

Applicants and the Monitor on the broader objective of achieving consensual lease amendments. However, these landlords have committed, until at least July 1, 2020, to not contest the non-payment of rent for the period of time in which their applicable Closed Stores are not lawfully entitled to be open. The Applicants and these significant landlords have agreed that the payment of rent in respect of the applicable Closed Stores shall be payable as and when agreed by the Applicants and their respective landlords and, failing such agreement, upon demand or subject to further Court order at any time from and after July 1, 2020.

6.3 Accordingly, the Applicants have agreed, as part of the Amended and Restated Initial Order, to replace the rent provisions in paragraph 8 of the Initial Order with a revised provision substantially in the form of the model CCAA initial order providing for the payment of Rent for the period commencing from and including the date of the Initial Order, in advance twice-monthly in equal payments on the first and fifteenth day of each month (except for any component of rent comprising percentage rent, which shall be calculated and paid in accordance with the terms of the applicable lease). In light of the commitment from landlords owning a significant percentage of the Closed Stores to not contest the non-payment of rent in respect of Closed Stores until at least July 1, 2020, this modification to the Initial Order is not expected to result in a material change to the Applicants' liquidity position or funding needs in the short term.

6.4 The Monitor and its legal counsel have overseen the negotiations between counsel to the Applicants and certain landlords with respect to rent arrangements for Closed Stores. The Monitor believes that the arrangements negotiated between the parties and the amendments to the Initial Order are reasonable in the circumstances. The arrangements will preserve the rights of all parties with respect to Closed Store rent, will not unduly impact the Applicants' short-term liquidity position, and will enable all parties to redirect their focus to the broader objective of determining whether there is sufficient landlord support for a going concern solution for the Applicants. Accordingly, the Monitor supports the revisions to the Initial Order in respect of rent payments.

7.0 COURT-ORDERED CHARGES SOUGHT IN THE AMENDED AND RESTATED INITIAL ORDER

7.1 The Initial Order granted an Administration Charge and a Directors' Charge over the Applicants' Property. As set out in the First Bachynski Affidavit and the Pre-Filing Report, the Applicants' intended to seek increases to the Administration Charge and the Directors' Charge at the comeback hearing.

Administration Charge

7.2 The Initial Order provides for an Administration Charge over the Applicants' Property in an amount not to exceed $450,000 in favour of the Monitor, counsel to the Monitor and counsel to the Comark Group. The Applicants are seeking an increase in the amount of the Administration Charge in the Amended and Restated Initial Order to $750,000.

7.3 The Monitor assisted the Applicants in the calculation of the Administration Charge and is of the view that the increased amount of the charge is reasonable and appropriate in the circumstances, having regard to the nature of the proceedings, potential work involved at peak times, and the size of charges approved in similar CCAA proceedings.

Directors’ Charge

7.4 The Initial Order provides that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors and officers of the Applicants after commencement of the CCAA Proceedings, except to the extent that any obligation or liability was incurred as a result of an officer’s or director’s gross negligence or wilful misconduct. The Initial Order provides for a superpriority Directors’ Charge over the Applicants’ Property in the amount of $1.5 million in favour of the Applicants’ directors and officers as security for that indemnity. The Applicants are seeking an increase in the amount of the Directors’ Charge to $2.7 million in the Amended and Restated Initial Order.

7.5 The Comark Group does not have a liability insurance policy for the potential benefit of present or former directors and officers.

7.6 The Monitor assisted the Applicants in the calculation of the Directors’ Charge, taking into consideration the amount of the Applicants’ payroll, vacation pay and statutory employee termination obligations. The primary components of the proposed $2.7 million charge are approximately: (a) $1.59 million for employee salary and wages, taking into consideration the bi-weekly payroll cycles of the Applicants and projected aggregate payroll amounts as stores continue to re-open and employees return from lay off; (b) $575,000 for vacation pay; and (c) $480,000 for potential statutory employee termination obligations. The Monitor is of the view that the increased amount of the Directors’ Charge is required and reasonable in the circumstances.

Priority of Charges Created by the Amended and Restated Initial Order

7.7 Subject to the ranking of the Pre-Filing CIBC Security (as defined in the DIP Term Sheet) described below, the Charges in the Amended and Restated Initial Order shall rank in priority to all encumbrances in favour of any person other than statutory super-priority deemed trusts and liens for unpaid employee source deductions or taxes. The contemplated priorities of the Charges in the Amended and Restated Initial Order as between them and the Pre-Filing CIBC Security are as follows:

(i) First – Administration Charge (to the maximum amount of $750,000);

(ii) Second – DIP Lender's Charge (to secure all obligations under the DIP Facility);

(iii) Third – Directors' Charge (to the maximum amount of $1.35 million);

(iv) Fourth – Pre-Filing CIBC Security (to the maximum amount of $3 million); and

(v) Fifth – Directors' Charge (to the maximum amount of $1.35 million).

7.8 As set out above, the Monitor believes that the Charges are reasonable in the circumstances.

8.0 ACTIVITIES OF THE MONITOR SINCE THE FILING DATE

8.1 Since the Filing Date, the primary activities of the Monitor have included the following:

(i) together with senior management of the Applicants, participating in teleconferences with landlords to present an overview of the Comark Group's financial performance and liquidity, the accelerated timeline and overall approach to the CCAA

Proceedings, and the proposed amendments to the key terms of each landlords' leases;

(ii) together with the Monitor's legal counsel, assisting the Applicants and their legal counsel in finalizing the DIP Term Sheet, developing the SISP and Sale Guidelines, and negotiating arrangements with respect to rent payments for Closed Stores;

(iii) commencing the marketing process in respect of the Comark Group, including contacting potentially interested parties, distributing a "teaser" document and negotiating NDAs;

(iv) reviewing and approving notices for the disclaimer of nine retail store leases;

(v) monitoring the Applicants' cash receipts and disbursements, and assisting in preparing weekly cash flow variance reporting;

(vi) activating the Case Website and coordinating the uploading of Court-filed documents to the website;

(vii) completing and coordinating the noticing requirements pursuant to paragraph 36 of the Initial Order, including:

  (a) arranging for publication of notice of the CCAA Proceedings, in the prescribed form, in The Globe and Mail (National Edition) on June 9 and June 16, 2020;

  (b) posting the Initial Order to the Case Website on June 4, 2020;

(c) arranging for notice of the CCAA Proceedings, in the prescribed manner, to be emailed or mailed to all known creditors having a claim against the Applicants of more than $1,000 ("**Notice Creditors**"); and

(d) preparing and posting to the Case Website on June 8, 2020, a listing of the names and addresses of Notice Creditors.

(viii) activating the Monitor's toll-free number and email account for the CCAA Proceedings, and responding to creditor and other inquiries received through those and other contact points; and

(ix) with the assistance of its legal counsel, preparing this First Report.

9.0 EXTENSION OF THE STAY PERIOD

9.1 Pursuant to the Initial Order, the current Stay Period expires on June 13, 2020. The Applicants are seeking an extension of the Stay Period to and including August 15, 2020.

9.2 The Monitor supports the Applicants' request to extend the Stay Period for the following reasons:

(i) the extension is necessary to enable the Applicants, with the assistance of the Monitor, to: (a) continue efforts to seek amendments to existing leases from landlords on an expedited basis; (b) conduct the SISP in accordance with SISP Approval Order; (c) conduct store closing sales at closing stores in accordance with the Sales Guidelines; and (d) to generally advance the CCAA Proceedings with a view to achieving a going concern solution for the Comark Group on an expedited basis;

(ii) if the DIP Facility is approved, the Applicants will have sufficient liquidity through the requested extended Stay Period, subject to maintaining compliance with the terms and conditions of the DIP Facility; and

(iii) the Applicants continue to act in good faith and with due diligence in their efforts to advance the CCAA Proceedings.

10.0 CONCLUSIONS AND RECOMMENDATIONS

10.1 For the reasons set out in this Report, the Monitor respectfully recommends that the Court grant the Amended and Restated Initial Order and the SISP Approval Order in the form sought by the Applicants.

All of which is respectfully submitted to the Court this 10th day of June, 2020.

Alvarez & Marsal Canada Inc., in its capacity as Monitor of Comark Holdings Inc., Bootlegger Clothing Inc., cleo fashions Inc. and Ricki's Fashion Inc., and not in its personal or corporate capacity

Per: ______________________
Douglas R. McIntosh
President

Per: ______________________
Alan J. Hutchens
Senior Vice-President

APPENDIX A
PRE-FILING REPORT OF THE PROPOSED MONITOR

See attached.

Court File No.: _______________

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 COMARK HOLDINGS INC., BOOTLEGGER CLOTHING INC., CLEO FASHIONS INC. AND RICKI'S FASHIONS INC.

PRE-FILING REPORT OF THE PROPOSED MONITOR ALVAREZ & MARSAL CANADA INC.

JUNE 2, 2020

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1.0 INTRODUCTION

1.1 Alvarez & Marsal Canada Inc. ("**A&M**" or the "**Proposed Monitor**") understands that Comark Holdings Inc. ("**Comark**"), Bootlegger Clothing Inc. ("**Bootlegger**"), cleo fashions Inc. ("**cleo**") and Ricki's Fashions Inc. ("**Ricki's**") (collectively, the "**Applicants**" or the "**Comark Group**") intend to make an application to the Ontario Superior Court of Justice (Commercial List) (the "**Court**") for an order (the "**Initial Order**") granting, among other things, a stay of proceedings pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), and appointing A&M as Monitor of the Applicants (the "**Monitor**"). The proceedings to be commenced by the Applicants under the CCAA are referred to herein as the "**CCAA Proceedings**".

1.2 9383921 Canada Inc. ("**ParentCo**") owns 100% of Comark and is not an Applicant in these CCAA Proceedings. ParentCo's ultimate parent company has a number of shareholders, the largest of which is an affiliate of Stern Partners Inc. Comark owns 100% of each of Bootlegger, cleo and Ricki's (collectively, the "**Retail Entities**"). All of the Applicants are corporations continued under the *Canada Business Corporations Act*, with their registered head offices located in Vancouver, British Columbia. A summarized chart of the corporate organizational structure is attached hereto as **Appendix "A"**.

1.3 The Applicants are apparel retailers, headquartered in Mississauga, Ontario, with 310 stores and approximately 2,500 employees across Canada that operate under the Bootlegger, cleo and Ricki's banners through the Retail Entities. The retail stores operate in eight of the ten Canadian provinces, with Quebec and Prince Edward Island being the exceptions. Each Retail Entity operates an e-commerce platform through consumer direct websites. E-commerce accounted for approximately 17% of the Comark Group's net revenue for its fiscal year ended February 29, 2020 ("**FY2020**").

1.4 Prior to the onset of the COVID-19 pandemic, the Applicants were experiencing financial challenges and planning for a streamlining of their business operations and store footprint. The Applicants' liquidity challenges were significantly exacerbated commencing in mid-March 2020, when the Applicants closed all of their brick and mortar stores across Canada and laid off the vast majority of their employees due to the COVID-19 pandemic. In response to the store closures, the Applicants' supply chain came to a halt and the Comark Group did not pay rent for their retail stores for the months of April and May. For the three-month period from March through May 2020, the Applicants' sales were down $50 million from the comparable prior year period. The Applicants have not paid June rent to date. Without additional funding, it is projected that the Applicants will exhaust their liquidity during the fourth week of June 2020.

1.5 In light of their liquidity crisis and the uniquely challenging circumstances arising from the COVID-19 pandemic, the Applicants intend to pursue a restructuring on a highly accelerated basis. A key part of the Applicants' restructuring plan is to engage in discussions with their landlords commencing immediately following the Initial Order in an effort to obtain sufficient landlord support to proceed with a potential going concern transaction for the business. The Applicants will need to finalize consensual lease amendments for a critical mass of their leased retail locations on an urgent basis in order to be able to achieve a going concern solution. If the revised lease arrangements cannot be finalized in short order, the Applicants will be unable to continue normal course business operations and may be forced to liquidate.

1.6 The Applicants are in the process of finalizing debtor-in-possession ("**DIP**") financing with their senior secured creditor to fund the Applicants' short term liquidity requirements. At the comeback hearing, the Applicants intend to seek Court approval of DIP financing and an expedited sale process to solicit acquisition and investment offers for the Comark Group's business and assets. As part of this process, it is anticipated that ParentCo will submit a going concern transaction proposal that will be conditional upon the outcome of negotiations with the Applicants' landlords. The Applicants intend to advance their restructuring initiatives concurrently over the coming few weeks with a view to having certainty before the end of June 2020 as to whether a going concern transaction will be completed.

1.7 The purpose of this pre-filing report (the "**Report**") is to provide the Court with information, and where applicable, the Proposed Monitor's views on:

(i) A&M's qualifications to act as Monitor (if appointed);

(ii) background information with respect to the Comark Group;

(iii) the Comark Group's cash management system;

(iv) the Comark Group's 13-week cash flow forecast;

(v) critical suppliers;

(vi) intended next steps in the CCAA Proceedings;

(vii) the terms of the Initial Order relating to rent payments;

(viii) the priority Court-ordered charges over the property and assets of the Applicants (the "**Property**") sought in the Initial Order; and

(ix) the Proposed Monitor's conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Report, A&M, in its capacity as the Proposed Monitor, has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Comark Group and has held discussions with management of the Comark Group and its legal counsel (collectively, the "**Information**"). Except as otherwise described in this Report in respect of the Comark Group's cash flow forecast:

(i) the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the *Chartered Professional Accountants Canada Handbook* (the "**CPA Handbook**") and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

(ii) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

2.2 Future oriented financial information referred to in this Report was prepared based on the Comark Group's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

2.3 This Report should be read in conjunction with the Affidavit of Gerald Bachynski, President of Comark and Chief Executive Officer of each of the Retail Entities, sworn on June 2, 2020 (the "**First Bachynski Affidavit**"), and filed in support of the Comark Group's application for relief under the CCAA, for additional background and other information regarding the Applicants. Capitalized terms used and not defined in this Report have the meanings given to them in the First Bachynski Affidavit.

2.4 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars ("**CAD**").

3.0 A&M'S QUALIFICATIONS TO ACT AS MONITOR

3.1 Alvarez & Marsal Canada ULC was engaged to act as consultant to certain of the Applicants and certain of their affiliates on April 22, 2020, and as such, the Proposed Monitor is familiar with the business and operations of the Applicants, their personnel and the key issues and stakeholders in the proposed CCAA Proceedings. A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA.

3.2 A&M is related to Alvarez & Marsal Holdings, LLC which is an independent international professional services firm, providing, among other things, bankruptcy, insolvency and restructuring services. The senior A&M professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants (Chartered Accountants), Chartered Insolvency and Restructuring Professionals, and Licensed Insolvency Trustees, and whom have previously acted in CCAA matters of a similar nature and complexity in Canada.

3.3 The Proposed Monitor has retained Goodmans LLP to act as its independent legal counsel.

3.4 A&M has consented to act as Monitor of the Applicants should the Court grant the Applicants' request to commence the CCAA Proceedings.

4.0 BACKGROUND INFORMATION

4.1 The information in this Report represents only a summary of certain of the background to the CCAA Proceedings. The Proposed Monitor recommends that readers review the materials filed by the Applicants in respect of the CCAA Proceedings, including, but not limited to the First Bachynski Affidavit.

Financial Results

4.2 The Comark Group reported net sales of approximately $310 million during FY2020, with same store sales having declined by approximately 6.5% relative to the prior year. For FY2020, the Comark Group experienced a net loss of approximately $7.6 million.

4.3 As a result of the COVID-19 pandemic, all of the Retail Entities' stores were closed during March 2020 and remained closed during April and most, if not all of, of May. For the two months ended May 2, 2020 (the Comark Group's April month-end for internal accounting and reporting purposes), the Comark Group reported net sales of approximately \$12.1 million, negative EBITDA of \$10.3 million, and a net loss of approximately \$12.7 million.

4.4 While certain of the Applicants' stores re-opened in Saskatchewan and Manitoba on or about May 19, 2020, and certain stores in British Columbia and Alberta re-opened at the end of May, approximately 200 of the Comark Group's 310 stores remained closed as at May 31, 2020. Additional stores are scheduled to open in Alberta, Ontario, New Brunswick and Nova Scotia in early June, such that by June 10, 2020, it is anticipated that approximately 210 of the Applicants' 310 stores will be re-opened. The remaining 100 stores – which are in Ontario (92 stores) and Newfoundland and Labrador (8 stores) – are currently not lawfully permitted to be open due to the COVID-19 crisis. All of the closed stores in Ontario are located in shopping malls and the Applicants do not currently anticipate that they will be permitted by law to re-open those stores before July 1, 2020.

<u>Corporate Management, Store and Employee Counts</u>

4.5 Comark provides corporate management and head office support functions for each of the Retail Entities, primarily from leased premises in Mississauga, Ontario. The Comark Group also has three divisional operating offices in Winnipeg, Manitoba (Ricki's), Mississauga, Ontario (cleo) and Richmond, British Columbia (Bootlegger). Certain of Comark's employees also work from the divisional office in Winnipeg, Manitoba.

4.6 The store counts for each of the retail banners are as follows:

Stores by Company by Province	ON	AB	BC	SK	MB	NS	NB	NL	Total
Ricki's	60	29	13	11	6	4	3	3	129
cleo	52	16	8	8	5	4	3	3	99
Bootlegger	19	24	20	10	3	2	2	2	82
Total	**131**	**69**	**41**	**29**	**14**	**10**	**8**	**8**	**310**
% of Total	*42%*	*22%*	*13%*	*9%*	*5%*	*3%*	*3%*	*3%*	

4.7 For the most part, stores are leased by the Retail Entity with the corresponding retail banner, however, in a number of instances the Applicants operate "Combo Stores" at the same location. For purposes of the above table and the store counts referenced in this Report, Combo Stores are counted as two stores (i.e. one store for each of the two Retail Entity tenants). Where banners are combined in one store, merchandise is segregated and price tagged by banner and sales are accounted for in the records of the applicable Retail Entity.

4.8 The approximate employee counts for each of Comark and the Retail Entities are set out in the table below. Substantially all of the Applicants' employees – including all store-based employees – were laid off on or about March 20, 2020 as a result of retail store closures due to the COVID-19 pandemic. The Comark Group has and expects to continue to recall employees as required to facilitate store re-openings.

Employees by Company by Province	ON	AB	BC	SK	MB	NS	NB	NL	Total
Comark	52				28				80
Ricki's	319	185	68	48	124	20	18	33	815
cleo	477	137	58	57	46	31	20	24	850
Bootlegger	145	222	228	90	32	10	13	15	755
Total	**993**	**544**	**354**	**195**	**230**	**61**	**51**	**72**	**2,500**
% of Total	*40%*	*22%*	*14%*	*8%*	*9%*	*2%*	*2%*	*3%*	

Merchandise Sourcing and Distribution

4.9 The Applicants sell private label merchandise under each of the Ricki's, cleo and Bootlegger banners. Substantially all of the private label merchandise is purchased from manufacturers in Asia in U.S. dollars ("**USD**"). Bootlegger also sells a variety of branded merchandise such as Silver, Levi's and Guess, most of which is supplied by vendors located in North America. Warehousing, distribution and e-commerce fulfillment services are provided by Parian Logistics Inc., an affiliate of the Applicants that is 100% owned by ParentCo and operates from leased facilities in Winnipeg, Manitoba.

4.10 As a result of the COVID-19 pandemic and the closure of its stores, the Comark Group took steps to pause its supply chain commencing mid-March 2020 to reduce costs and preserve liquidity. Outstanding purchase orders ("**POs**") were cancelled where it was possible to do so and no new POs were issued during April or May. In June, the Comark Group intends to re-start its supply chain by re-issuing previously cancelled POs and issuing new POs for the fall and holiday shopping periods. Since each of the Retail Entities has a significant focus on private label merchandise, the financial performance of the Comark Group is highly dependent on the sourcing of that merchandise through its supply chain.

4.11 The Proposed Monitor has been working with members of the Applicants' senior management to develop financial projections for the balance of FY2021 and FY2022. There is significant uncertainty with respect to customer traffic and forecast sales as provinces re-open their economies and consumers continue to respond to the easing of social distancing measures. Management has advised that to-date, where stores have opened (and recognizing that is a relatively small percentage of the Retail Entities' total stores), in-store traffic has been approximately 60% to 70% lower and sales have been approximately 50% lower than the same period in the prior year.

4.12 Without significant changes to the Applicants' retail store network during the next few weeks – including the closure of underperforming stores and renegotiated lease terms for the balance of the Applicants' store portfolio – the Applicants will not be able to complete a going concern transaction for the business that is essential to continuing normal course business operations.

Primary Causes of Financial Difficulty

4.13 The primary causes of the Applicants' financial difficulty include the following:

(i) COVID-19: As described above, all of the Comark Group's retail stores closed during March and remained closed during April and most of May. While certain stores began to re-open in the latter half of May, approximately 100 of the Comark Group's 310 stores will still be closed after June 10, 2020. Despite taking significant steps to reduce its workforce and manage down/pause its supply chain, the Comark Group reported a net loss of approximately $12.7 million during the first two months of the fiscal year ending February 28, 2021 ("**FY2021**"). Further, there is significant uncertainty regarding customer traffic and future sales in the coming months as stores re-open and consumers continue to adjust to the easing of social distancing measures.

(ii) Brick and Mortar Stores: The Comark Group has been negatively impacted by the general downturn in the brick-and-mortar retail sector over the last several years. Across the three banners, same store sales declined by approximately 6.5% in FY2020. To address the decline in brick-and-mortar retail, the Comark Group has taken proactive steps, including making capital investments in its in-store shopping experience (including opening 21 new stores over the last three years), closing unprofitable stores, renegotiating leases to reduce rent costs as leases expire, and investing significantly in its e-commerce businesses across each of the Retail Entities.

(iii) Occupancy Costs: All of the Comark Group's 310 stores operate from leased locations. The combination of declining same store sales and contractual rent increases have increased store occupancy costs to approximately 22% of sales in FY2020. Even absent COVID-19, this trend was not sustainable. The significant uncertainties regarding customer traffic and future sales as stores re-open are expected to materially erode go-forward rent to sales comparatives without significant amendments to the terms of substantially all of the Retail Entities' leases.

(iv) Unfavourable Exchange Rate: All of the Comark Group's inventory is purchased in USD. The appreciation of USD over the last several years relative to CAD has added additional cost and pricing pressures to the Comark Group's operations.

5.0 SECURED DEBT OBLIGATIONS

5.1 As of June 1, 2020, the Comark Group has approximately $51.8 million of outstanding third party secured debt, comprised of $26.4 million owed to CIBC and $25.4 million owed to ParentCo.

CIBC Credit Facility

5.2 CIBC is the main operating lender to the Applicants pursuant to a credit agreement with Comark, as borrower, dated as of August 20, 2015 (as amended, the "**CIBC Credit Facility**"). Pursuant to the CIBC Credit Facility, CIBC committed a term loan facility to Comark in the principal amount of $22 million (the "**CIBC Term Loan Facility**") and a revolving loan facility in an amount of up to $30 million (the "**CIBC Revolving Loan Facility**"), which includes a $6 million sublimit for letters of credit ("**LCs**").

5.3 As of June 1, 2020, $6.4 million is outstanding on the CIBC Term Loan Facility.

5.4 The maximum amount available for borrowing under the CIBC Revolving Loan Facility fluctuates monthly and is derived from a borrowing base formula based on the Comark Group's accounts receivable, inventory on hand and inventory in-transit (less certain priority payables such as wages, worker's compensation and certain taxes). As at June 1, 2020, $20.0 million is outstanding under the CIBC Revolving Loan Facility. There are no LCs outstanding.

5.5 The Comark Group is in default of the CIBC Credit Facility as a result of its failure to maintain a specified fixed charge coverage ratio required under the credit agreement. On May 28, 2020, Comark made a request for an additional $1.8 million draw on the CIBC

Revolving Loan Facility (which draw, if funded, would have exhausted the remaining borrowing base availability), which was not funded by CIBC given the financial covenant default. Accordingly, the Applicants do not have access to any incremental liquidity under the CIBC Credit Facility. As described in the First Bachynski Affidavit, the Applicants are currently working with CIBC to finalize the terms and conditions of DIP financing to provide the Applicants with a brief window of opportunity to reach a deal with their landlords that would enable a going concern future for the business.

5.6 The obligations under the CIBC Credit Facility are guaranteed by each of the Retail Entities. As security for the obligations under the CIBC Credit Facility and the related guarantees, each of the Applicants has granted CIBC a security interest over all of its present and after-acquired property, assets and undertaking.

5.7 ParentCo provided a guarantee of the obligations under the CIBC Credit Facility limited in recourse solely to and secured by the shares of Comark held by ParentCo.

ParentCo Facility

5.8 ParentCo, as lender, is party to a sponsor loan agreement with Comark's predecessor company, as borrower, dated as of August 20, 2015 (as amended, the "**ParentCo Facility**"). Pursuant to the ParentCo Facility, ParentCo agreed to make loan advances to Comark, with the initial loan advance being in the principal amount of $21.4 million. Since the initial loan was advanced, ParentCo has not received any interest or principal payments owing to it under the ParentCo Facility, and there is no obligation on the Applicants to make any payments of principal or interest until the sixth anniversary of the first advance date under the ParentCo Facility. As of June 1, 2020, \$25.4 million is outstanding under the ParentCo Facility.

5.9 The obligations under the ParentCo Facility are guaranteed by each of the Retail Entities. As security for the obligations under the ParentCo Facility and related guarantees, each of the Applicants has granted ParentCo a security interest over all of its present and after-acquired property, assets and undertaking.

5.10 ParentCo has subordinated and postponed its security interests in respect of the Applicants' collateral in favour of CIBC pursuant to a subordination and postponement agreement dated as of August 20, 2015.

Comark Facilities

5.11 Comark, as lender, is also party to separate multi-facility loan agreements with each of the three Retail Entities, each dated August 15, 2015 (each a "**Comark Facility**" and collectively, the "**Comark Facilities**").

5.12 Each Comark Facility includes a term loan facility, a revolving facility and a participating facility. The maximum amount available to the Retail Entities collectively under the Comark Facilities' revolving facilities is \$30 million, less the amount outstanding under the CIBC Credit Facility in respect of any LCs issued.

5.13 As at February 29, 2020, cleo and Bootlegger owed approximately \$8.5 million and \$28.5 million, respectively, to Comark under the Comark Facilities. There is no amount owing by Ricki's to Comark under the applicable Comark Facility.

5.14 The obligations under each Comark Facility are secured by a security interest over the present and after-acquired property, assets and undertaking of the applicable borrower. Comark has subordinated and postponed its security interests in respect of the Retail Entities' collateral in favour of CIBC pursuant to a subordination and postponement agreement dated as of August 20, 2015.

Security Review

5.15 The Proposed Monitor requested that its counsel review the security granted by the Comark Group in respect of the CIBC Credit Facility, the ParentCo Facility and each Comark Facility. The Proposed Monitor has engaged British Columbia counsel to assist in the review of the security and provide a formal opinion given that the security agreements are governed by British Columbia law. The Proposed Monitor's counsel has undertaken a review of the security. Subject to qualifications and assumptions customary in rendering security opinions of this nature, the Proposed Monitor's counsel has reached a preliminary conclusion that the security granted by the Applicants in respect of the CIBC Credit Facility and the ParentCo Facility and the security granted by each Retail Entity in respect of its Comark Facility constitutes valid and enforceable security and creates a valid security interest, registered in all applicable Canadian provinces provided for under applicable law. The Proposed Monitor's counsel expects to prepare a security opinion setting out their conclusions with respect to the security, which the Proposed Monitor will make available to this Court on request.

6.0 CASH MANAGEMENT SYSTEM

6.1 The Applicants maintain a centralized cash management system which is managed from Comark's head office in Mississauga (the "**Cash Management System**") for cash collections, disbursements and intercompany payments for each entity in the Comark Group. This allows Comark to facilitate cash forecasting and reporting and to monitor the collection and disbursement of funds. Comark reviews and monitors account activity on a daily basis, together with the accounts payable systems and weekly cash flow forecasts of each Retail Entity.

6.2 The Applicants have bank accounts with all of the major Canadian banks, including CIBC, Toronto Dominion Bank, Bank of Montreal, Royal Bank of Canada and Bank of Nova Scotia. CIBC is the Applicants' main collections and disbursements bank. All other bank accounts are utilized to facilitate store deposits which are swept on a semi-weekly basis into the CIBC concentration accounts.

6.3 The Applicants currently have thirteen bank accounts with CIBC, of which nine are CAD accounts and four are USD accounts (collectively, the "**CIBC Accounts**"). An overview of the CIBC Accounts is as follows:

(i) one CAD collections account that receives store deposits from the local store branch accounts through automatic sweeps and manual transfers that are performed twice weekly;

(ii) one CAD payroll account used to facilitate payroll for the Comark Group;

(iii) four CAD accounts used to facilitate payments relating to benefits programs;

(iv) one CAD disbursement account to facilitate all non-payroll and non-benefits disbursements;

(v) two CAD operating accounts where: (a) monthly interest and quarterly principal payments for the CIBC Term Loan Facility are automatically applied; and (b) draws and repayments on the CIBC Revolving Loan Facility are made on an as needed/as available basis; and

(vi) four USD disbursement accounts used to facilitate payments to vendors for each of the Comark Group entities.

6.4 Activity in the concentration accounts is reviewed and reconciled by Comark's sales audit and banking associates. The Comark accounting department reviews and reconciles all other CIBC accounts, with the exception of payroll, which is reconciled by Comark's internal payroll manager.

6.5 The Applicants are exposed to foreign exchange risk because a large portion of their disbursements (foreign product purchases) are made in USD while sales are received in CAD. As a result, the Applicants utilized forward and options contracts to mitigate and hedge against risks stemming from exchange rate fluctuations between CAD and USD. The Applicants had previously utilized a foreign exchange trading agreement with EncoreFX to hedge foreign exchange risk but, due to the economic destabilization resulting from COVID-19, EncoreFX has recently been placed under administration and is expected to be wound-down. While the Applicants have not incurred any monetary losses from the insolvency of EncoreFX, the Applicants are no longer hedged, and are exposed to future exchange rate fluctuations between CAD and USD.

6.6 The Applicants have advised the Proposed Monitor that the cash management system is critical to the orderly management of the Comark Group's business and accordingly are seeking to continue to operate the cash management system post-filing in substantially the same manner as before the commencement of the CCAA Proceedings. The Proposed Monitor supports this request.

7.0 CASH FLOW FORECAST

7.1 The Comark Group has prepared a weekly cash flow forecast (the "**Cash Flow Forecast**") for the 13-week period from May 31 to August 29, 2020 (the "**Cash Flow Period**"). A copy of the Cash Flow Forecast, together with a summary of assumptions (the "**Cash Flow Assumptions**") and Management's report on the cash-flow statement required by section 10(2)(b) of the CCAA are attached hereto as **Appendices "B" and "C"**, respectively.

7.2 As summarized in the table below, during the Cash Flow Period, the Cash Flow Forecast shows negative net cash flows of approximately $6.5 million.

Cash Flow Forecast	***000s CAD***
Receipts	**$ 36,811**
Disbursements	
Merchandise Vendors	(13,586)
Non-Merchandise Vendors	(10,746)
Payroll	(12,002)
Rent and Utilities	(5,064)
GST/HST Remittance	1,468
Interest (Revolver and Term)	(415)
Restructuring Professional Fees	(2,975)
Total Disbursements	**(43,320)**
Net Cash Flow	**(6,508)**
Opening Cash Balance	**5,319**
Net Cash Flow	**(6,508)**
Illustrative DIP Draw	**2,000**
Closing Cash Balance	**811**

7.3 As at June 1, 2020, the Applicants had cash of approximately $5.3 million and $20.0 million drawn on the CIBC Revolving Loan Facility.

7.4 CIBC has confirmed to the Applicants that it is supportive of the Applicants' efforts to restructure their business and is prepared to provide DIP financing to assist in that regard on terms and conditions satisfactory to CIBC.

7.5 The Proposed Monitor notes the following with respect to the Cash Flow Forecast:

Forecast Receipts

(i) Sales: reflect forecast receipts from both retail stores and e-commerce. Store sales are consistent with planned or currently anticipated store opening dates and are based on management's estimates of near-term sales, taking into consideration the experience to-date with stores that have re-opened and expectations with respect to store traffic as consumers continue to adjust to the easing of social distancing measures;

Forecast Disbursements

(ii) Merchandise vendors: payments to overseas and North American vendors for merchandise, including fabric and yarn for private label products, as well as import duties and related taxes;

(iii) Non-merchandise vendors: primarily includes credit and debit card processing services, logistics, warehousing and transportation services, information technology services, and certain other store-level and corporate operating costs;

(iv) Payroll: includes payroll, benefits and taxes for all store-level and corporate employees. Payroll estimates have been adjusted to reflect forecast store re-openings and are net of anticipated subsidies received under the Canadian Employee Wage Subsidy program, where applicable; and

(v) Rent: June rent is forecast to be paid on a semi-monthly basis on June 1 and 15 for stores that are legally entitled to be open as of the date of the Initial Order at current lease rates. June rent is also forecast to be paid semi-monthly at current lease rates, from and after the date that legal restrictions on re-opening are lifted, for stores that are currently closed but which the Applicants anticipate will be lawfully entitled to open for business later in June. Renegotiated percentage rent terms are forecast to commence on July 1, 2020 on the assumption that landlord negotiations are successful. The relief that is being sought by the Applicants in the Initial Order with respect to rent payments is discussed later in this Report.

7.6 The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed Monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. Pursuant to this standard, the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by certain key members of management. The Proposed Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast.

7.7 Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe, in all material respects that:

(i) the Cash Flow Assumptions are not consistent with the purpose of the Cash Flow Forecast;

(ii) as at the date of this Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the Cash Flow Assumptions; or

(iii) the Cash Flow Forecast does not reflect the Cash Flow Assumptions.

The Cash Flow Forecast has been prepared solely for the purpose and subject to the assumptions described above, and readers are cautioned that it may not be appropriate for other purposes. The Cash Flow Forecast is subject to material change in the event that the Applicants are not able to negotiate acceptable rent arrangements with their landlords.

8.0 CRITICAL SUPPLIERS

8.1 The Applicants are requesting as part of the Initial Order the authority (but not the requirement) to pay pre-filing amounts with the consent of the Proposed Monitor to certain suppliers, including: (i) providers of credit, debit and gift card processing related services; (ii) logistics, warehouse or supply chain providers, such as transportation providers, customs brokers and freight forwarders; (iii) providers of information, internet and other technology, including ecommerce providers and related services; and (iv) other suppliers or service providers if, in the opinion of the Applicants following consultation with the

Monitor, such payment is necessary to maintain the uninterrupted operations of the Applicants' business.

8.2 The Proposed Monitor is of the view that the above relief is reasonable and appropriate in the circumstances taking into account the Applicants' goal of implementing a successful restructuring.

9.0 RENT PAYMENT PROVISIONS IN THE PROPOSED INITIAL ORDER

9.1 If the Initial Order is granted, the Applicants intend to immediately deliver notices to disclaim the leases for approximately nine underperforming stores that the Applicants do not intend to continue to operate. Further, the Applicants currently intend to close an additional 15 stores as soon as those stores can re-open to the public and an inventory liquidation sale can be carried out.

9.2 For the Applicants' remaining stores, the Applicants intend to immediately enter into negotiations with the applicable landlords with a view to achieving consensual amendments to the leases by June 19, 2020, such that renegotiated rent terms would be applicable for July 2020.

9.3 The Initial Order sought by the Applicants sets out the proposed terms for the payment of rent by the Applicants until such time as leases are renegotiated or disclaimed. The rent payment terms differ depending on whether a particular lease relates to an Open Store or a Closed Store (each as described below).

Open Stores

9.4 The proposed Initial Order provides that, for stores that are lawfully entitled to be open to the public for the ordinary course business operations of the Applicants as of the date of the Initial Order ("**Open Stores**"), the Applicants shall pay all amounts constituting rent or payable as rent under the applicable lease or as otherwise may be negotiated between the Applicants and the applicable landlord ("**Rent**") for the period commencing from June 1, 2020. Rent payments for these Open Stores will be made in advance twice-monthly in equal payments on the first and fifteenth day of each month (except for any component of Rent comprising percentage rent, which will be calculated and paid in accordance with the terms of the applicable lease).

Closed Stores

9.5 The proposed Initial Order provides that the Applicants will not make Rent payments in respect of stores that are not lawfully entitled to be open to the public for the ordinary course business operations of the Applicants as of the date of the Initial Order ("**Closed Stores**"). For Closed Stores, the Applicants will pay Rent for the period commencing on the date that such location is lawfully entitled to be open to the public for the ordinary course business operations of the Applicants (the "**Open Date**"). From and after the Open Date, Rent will be paid in advance twice-monthly in equal payments on the first and fifteenth of each month. On the date of the first such payment, any Rent relating to the period commencing from the Open Date shall also be paid.

9.6 The Proposed Monitor has reviewed and considered the Applicants' proposed approach to rent payments during the CCAA proceedings having regard to the current financial, operational and restructuring imperatives of the Applicants' business. The Proposed Monitor recognizes that the provisions in the proposed Initial Order providing for the non-payment of rent in respect of Closed Stores is a departure from the standard practice in CCAA proceedings. Nevertheless, the Proposed Monitor believes that it is reasonable and appropriate in the extraordinary circumstances of this case for the Applicants to not make rent payments in respect of Closed Stores, including for the following reasons:

(i) the Applicants have very limited remaining liquidity. The Applicants had a cash balance of approximately $5.3 million as of June 1, 2020. As set out in the Cash Flow Forecast – which assumes that rent is not paid in respect of Closed Stores – the Applicants will exhaust their existing liquidity during the week ending June 27, 2020. If the Applicants paid June rent in respect of Closed Stores, which rent totals approximately $1.5 million, the Applicants will exhaust their remaining liquidity even sooner. As the Applicants are seeking to complete a restructuring on an expedited timeline measured in a few weeks, these incremental cash savings are material to the Applicants and their restructuring prospects.

(ii) the Applicants have not yet finalized a DIP financing agreement with CIBC, and accordingly there can be no assurances as to the quantum or potential terms of any such DIP financing. Given this significant financial uncertainty, it is prudent for the Applicants to take steps to maintain flexibility and preserve their remaining liquidity.

(iii) as a result of public health and emergency orders, the Applicants do not have access to the Closed Stores and are legally precluded from opening them.

(iv) as the Closed Stores are incapable of producing revenue, the payment of rent in respect of those stores would be a material cash outlay that has no prospects of improving the financial condition of the Applicants.

(v) the relief from payment of rent in respect of Closed Stores is time-limited in two ways. First, the proposed Initial Order provides that the Applicants will commence rent payments in respect of Closed Stores once those stores are legally entitled to be open to the public for the ordinary course business operations of the Applicants. Second, the Applicants are seeking to renegotiate the terms of all of their leases by June 19, 2020. These negotiations will result in either consensual amendments to leases (which would address the non-payment of June rent) or the disclaimer or termination of such leases. Accordingly, the non-payment of rent in respect of any particular location is unlikely to persist for more than one or two months.

(vi) the non-payment of rent in respect of Closed Stores will preserve crucial liquidity and enhance the likelihood that the Applicants are able to complete a going concern restructuring of their business. While individual landlords may experience some prejudice from the non-payment of rent for a limited period, in the view of the Proposed Monitor that prejudice is outweighed by the potential benefit to a broad range of the Applicants' stakeholders from a going concern outcome, including employees, suppliers, customers and landlords (including those who do not receive rent payments for a limited period).

9.7 In this extraordinary and unprecedented environment resulting from the COVID-19 pandemic, and having regard to the unique factors of this case, the Proposed Monitor believes that the non-payment of rent in respect of Closed Stores is a practical and appropriate measure that will preserve the limited liquidity of the Applicants and enhance the prospects that the Applicants can achieve a going concern transaction that maximizes value for all stakeholders. Accordingly, the Proposed Monitor is supportive of the relief sought by the Applicants with respect to rent payments.

10.0 INTENDED NEXT STEPS IN THE CCAA PROCEEDINGS

10.1 In light of the Applicants' current liquidity, near term funding requirements, experience to-date with sales in stores that have re-opened, and the significant uncertainties with respect to near-term customer traffic, forecast sales and store openings, it is imperative that the Applicants complete their restructuring initiatives on a highly expedited timeline. To that end, the following summarizes the intended primary next steps in the CCAA Proceedings should the Court grant the Initial Order:

(i) following the granting of the Initial Order, the Applicants, with the assistance of the Proposed Monitor, will immediately:

   (i) deliver notices to disclaim the leases for certain underperforming stores that the Applicants do not intend to continue operating and commence an orderly wind-down of those store locations;

   (ii) contact their landlord stakeholder group to seek amendments to existing leases on an expedited basis. The Applicants have prepared standardized letter agreements to be immediately distributed to their landlords setting out the concessions and lease amendments that are being requested by the

Applicants. The effectiveness of the letter agreements will be conditional on a critical mass of landlords agreeing to the proposed terms on or before June 19, 2020;

(iii) review the Comark Group's ongoing workforce requirements to bring staff back where appropriate and make employment reductions where necessary in light of store closures and current business operations; and

(iv) commence the preliminary stages of a sales process by contacting parties that the Applicants and the Proposed Monitor believe may have an interest in acquisition, investment or liquidation transactions in respect of all or part of the business and assets of the Applicants. Given the Comark Group's limited liquidity and restructuring window, the objective is to advance the sales process during the period between the Initial Order and the comeback hearing by commencing the solicitation process, negotiating and executing non-disclosure agreements, and providing access to a data room for interested parties to begin due diligence.

(ii) at the comeback hearing, the Applicants expect to seek Court approval of:

(i) a DIP financing facility to be provided by CIBC;

(ii) a sales process and timeline to solicit potential transactions for the business and assets of the Applicants, supported by a non-binding transaction term sheet that is intended to serve as a threshold transaction to underpin the balance of the sales process;

(iii) sale guidelines with respect to the liquidation of inventory and furniture, fixtures and equipment at stores that will be closed by the Applicants; and

(iv) a hearing date in the last week of June 2020 to address matters in the next stage of the Comark Group's restructuring.

11.0 COURT-ORDERED CHARGES SOUGHT IN THE INITIAL ORDER

11.1 The Proposed Initial Order seeks the granting of the Administration Charge and the Directors' Charge (collectively, the "**Charges**") over the Property of the Applicants, as described below.

Administration Charge

11.2 The Initial Order provides for a superpriority charge over the Applicants' Property in an amount not to exceed $450,000 in favour of the Monitor, counsel to the Monitor and counsel to the Comark Group (the "**Administration Charge**"). The Applicants intend to seek an increase in the amount of the Administration Charge in an Amended and Restated Initial Order to $750,000 at the comeback hearing.

11.3 The Proposed Monitor assisted the Applicants in the calculation of the Administration Charge and is of the view that the amount of the charge for the initial 10-day stay period is reasonable and appropriate in the circumstances, having regard to the nature of the proceedings, potential work involved at peak times, and the size of charges approved in similar CCAA proceedings.

Directors' Charge

11.4 The Initial Order provides that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors and officers of the Applicants after commencement of the CCAA Proceedings, except to the extent that the obligation or liability was incurred as a result of an officer's or director's gross negligence or wilful misconduct. The Initial Order provides for a superpriority charge over the Applicants' Property in the amount of $1.5 million in favour of the Applicants' directors and officers as security for that indemnity. The Applicants intend to seek an increase in the amount of the Directors' Charge to $2.7 million at the comeback hearing.

11.5 The Comark Group does not have a liability insurance policy for the potential benefit of present or former directors and officers.

11.6 The Proposed Monitor assisted the Applicants in the calculation of the initial amount of the Directors' Charge, taking into consideration the amount of the Applicants' payroll, vacation pay and federal and provincial sales tax liabilities during the initial 10-day stay period. The Proposed Monitor is of the view that the D&O Charge is required and reasonable in the circumstances.

Priority of Charges Created by the Proposed Initial Order

11.7 The priorities of the Charges are proposed to be as follows:

(i) First – Administration Charge (to the maximum amount of $450,000); and

(ii) Second – Directors' Charge (to the maximum amount of $1.5 million).

11.8 As set out above, the Proposed Monitor believes that the Charges are reasonable in the circumstances.

12.0 CONCLUSIONS AND RECOMMENDATIONS

12.1 For the reasons set out in this Report, if the Court is satisfied that the Applicants are companies to which the CCAA applies, the Proposed Monitor is of the view that the relief requested by the Applicants in the proposed Initial Order is reasonable, appropriate and necessary having regard to the current circumstances of the Applicants. As such, the Proposed Monitor supports the Applicants' application for CCAA protection and respectfully recommends that the Court grant the Initial Order containing the relief requested by the Applicants.

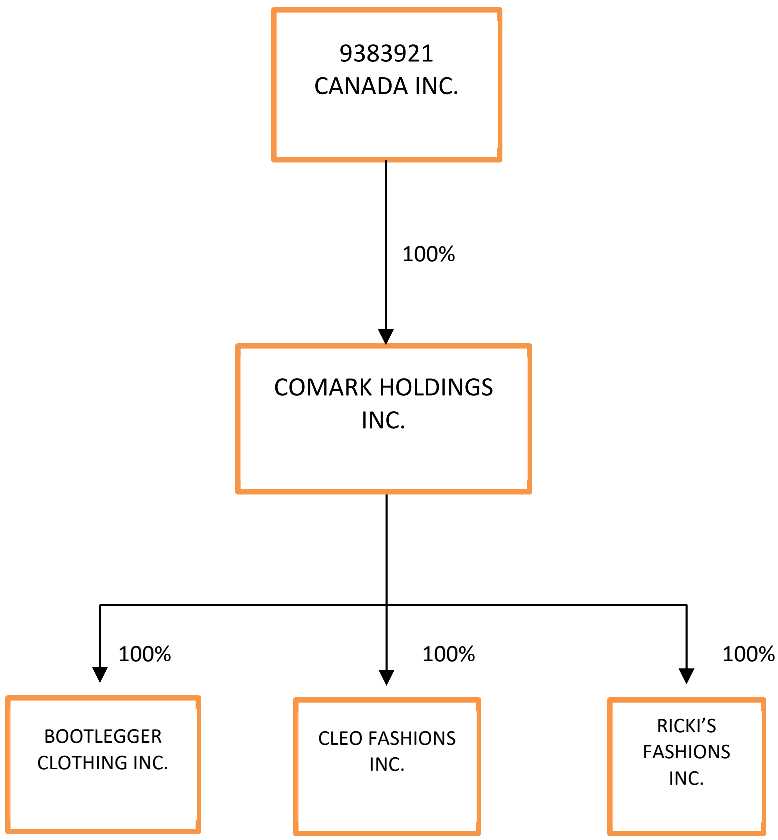
All of which is respectfully submitted to the Court this 2nd day of June, 2020.

Alvarez & Marsal Canada Inc., in its capacity as Proposed Monitor of Comark Holdings Inc., Bootlegger Clothing Inc., cleo fashions Inc. and Ricki's Fashion Inc., and not in its personal or corporate capacity

Per: ______________________
Douglas R. McIntosh
President

Per: ______________________
Alan J. Hutchens
Senior Vice-President

APPENDIX A
COMARK GROUP SIMPLIFIED CORPORATE CHART



APPENDIX B
CASH FLOW FORECAST

See attached.

Comark Holdings Inc., et al
13-Week Cash Flow Forecast
(Unaudited, in 000s CAD)

Week Ending	Notes	Week 1 Jun 6	Week 2 Jun 13	Week 3 Jun 20	Week 4 Jun 27	Week 5 Jul 4	Week 6 Jul 11	Week 7 Jul 18	Week 8 Jul 25	Week 9 Aug 1	Week 10 Aug 8	Week 11 Aug 15	Week 12 Aug 22	Week 13 Aug 29	13-Week Total
Stores Open		*81*	*200*	*200*	*200*	*200*	*295*	*295*	*295*	*295*	*286*	*286*	*286*	*286*	
Receipts															
Sales	**1**	1,298	1,536	2,340	2,733	2,182	3,292	2,863	3,497	3,113	3,570	3,069	3,471	3,850	**36,811**
Disbursements															
Merchandise Vendors	**2**	-	-	(1,200)	(1,588)	(2,120)	(205)	(19)	(1,337)	(1,708)	(821)	(1,770)	(1,313)	(1,504)	**(13,586)**
Non-Merchandise Vendors	**3**	(500)	(850)	(850)	(1,119)	(1,067)	(505)	(1,052)	(493)	(958)	(633)	(900)	(954)	(866)	**(10,746)**
Payroll	**4**	(197)	(1,280)	(542)	(1,610)	(264)	(1,781)	(28)	(2,430)	732	(2,486)	(677)	(1,956)	515	**(12,002)**
Rent and Utilities	**5**	(1,612)	(1,612)	-	(8)	(170)	-	(470)	-	-	(33)	(1,108)	-	(50)	**(5,064)**
GST/HST Remittance	**6**	-	-	-	-	-	-	1,531	-	(63)	-	-	-	-	**1,468**
Interest	**7**	-	-	-	-	(131)	-	-	-	(143)	-	-	-	(142)	**(415)**
Restructuring Professional Fees	**8**	(363)	(363)	-	(675)	-	(675)	-	(400)	-	(250)	-	(250)	-	**(2,975)**
Total Disbursements		**(2,671)**	**(4,105)**	**(2,592)**	**(5,000)**	**(3,751)**	**(3,165)**	**(38)**	**(4,660)**	**(2,139)**	**(4,224)**	**(4,454)**	**(4,474)**	**(2,047)**	**(43,320)**
Net Cash Flow		**(1,373)**	**(2,568)**	**(252)**	**(2,267)**	**(1,570)**	**126**	**2,825**	**(1,163)**	**973**	**(654)**	**(1,385)**	**(1,003)**	**1,803**	**(6,508)**
Opening Cash Balance		5,319	3,946	1,377	1,125	858	1,288	1,414	2,239	1,076	2,050	1,396	1,011	1,007	**5,319**
Net Cash Flow		(1,373)	(2,568)	(252)	(2,267)	(1,570)	126	2,825	(1,163)	973	(654)	(1,385)	(1,003)	1,803	**(6,508)**
DIP Draw / (Repayment)		-	-	-	2,000	2,000	-	(2,000)	-	-	-	1,000	1,000	(2,000)	**2,000**
Closing Cash Balance		**3,946**	**1,377**	**1,125**	**858**	**1,288**	**1,414**	**2,239**	**1,076**	**2,050**	**1,396**	**1,011**	**1,007**	**811**	**811**
Illustrative DIP Structure	**9**														
Opening DIP Balance		-	-	-	-	(2,000)	(4,000)	(4,000)	(2,000)	(2,000)	(2,000)	(2,000)	(3,000)	(4,000)	
DIP (Draw) / Repayment		-	-	-	(2,000)	(2,000)	-	2,000	-	-	-	(1,000)	(1,000)	2,000	
Ending DIP Balance		**-**	**-**	**-**	**(2,000)**	**(4,000)**	**(4,000)**	**(2,000)**	**(2,000)**	**(2,000)**	**(2,000)**	**(3,000)**	**(4,000)**	**(2,000)**	

Comark Holdings Inc., et al
13-Week Cash Flow Forecast
Notes and Summary of Assumptions

Disclaimer

In preparing this cash flow forecast (the "Forecast"), the Applicants have relied upon unaudited financial information and have not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions discussed below with respect to the requirements and impact of a filing under the Companies' Creditors Arrangement Act ("CCAA"). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast period will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized. The Forecast is presented in thousands of Canadian dollars.

1) **Sales**
Includes receipts from the sale of goods through the Applicants' bricks-and-mortar and ecommerce platforms. Store re-opening assumptions are summarized in the Monitor's Pre-Filing Report and are based on provincial government guidance received to date. The Applicant anticipates that all remaining retail locations will be permitted to re-open in the first week of July. Sales include HST/GST and are net of anticipated returns and gift card redemptions.

2) **Merchandise Vendors**
Includes payments to foreign and domestic merchandise vendors. The forecast amounts include freight and import duties, where applicable.

3) **Non-Merchandise Vendors**
Includes logistics, software, store level expenses, overhead costs and other similar expenses.

4) **Payroll**
Includes payroll, benefits and taxes for all store-level and corporate employees. Payroll estimates have been adjusted to reflect forecast store re-openings and are net of anticipated subsidies received under the Canadian Employee Wage Subsidy program, where applicable.

5) **Rent and Utilities**
June rent is forecast to be paid in equal installments on the Filing Date and June 15 under current lease terms for open stores. No June rent is forecast to be paid for stores closed due to COVID-19. Renegotiated percentage rent terms are projected to commence on July 1, such that July percentage rents are forecast to be paid on or before August 15. Rents paid in July include amounts under current lease terms for stores to be liquidated and closed (assuming certain closed store re-open by July 1), and an estimate for existing percentage rent stores for June sales.

6) **GST/HST Remittance**
Includes an estimated refund from the Canadian Revenue Agency based on the Applicants' current receivable position for income tax losses, less estimated sales tax amounts owing.

7) **Interest**
Includes interest on the CIBC Revolver and Term Loan, and an estimate for interest on the anticipated DIP facility.

8) **Professional Fees**
Includes payments to the Applicants' legal counsel, CCAA Monitor, Monitor's legal counsel and the financial and legal advisors to CIBC.

9) **Illustrative DIP Structure**
The Applicants are currently in discussions with CIBC to finalize the terms of a DIP facility. It is anticipated that the Applicants will seek approval of the DIP facility at the comeback hearing. The DIP facility included in the cash flow forecast, at this time, is for illustrative purposes only.

APPENDIX C
MANAGEMENT'S REPRESENTATION LETTER
REGARDING CASH FLOW FORECAST

See attached.

COMARK

Alvarez & Marsal Canada Inc.
Royal Bank Plaza South Tower
200 Bay Street, Suite 2900
Toronto, ON M5J 2J1

Attention: Mr. Alan J. Hutchens

June 3, 2020

Dear Sirs:

Re: Comark Holdings Inc. and the Other Applicants Identified in the Proposed Initial Order (collectively, the "Comark Group") – CCAA section 10(2) Prescribed Representations with Respect to Cash Flow Forecast

In connection with the application by the Applicants for the commencement of proceedings under the *Companies' Creditors Arrangement Act*, management of the Comark Group has, with the assistance of Alvarez & Marsal, prepared the attached 13-week projected cash flow statement of the Comark Group for the period June 1 to August 29, 2020 (the "**Cash Flow Statement**") and the list of assumptions on which the Cash Flow Statement is based. The purpose of the Cash Flow Statement is to determine the liquidity requirements of the Comark Group during the CCAA proceedings.

The Comark Group confirms that the hypothetical assumptions on which the Cash Flow Statement is based are reasonable and consistent with the purpose described herein, and the probable assumptions are suitably supported and consistent with the plans of the Comark Group and provide a reasonable basis for the projections. All such assumptions are disclosed in the notes to the Cash Flow Statement (the "**Notes**").

Since the projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projections have been prepared solely for the purpose described herein, using the probable and hypothetical assumptions set out in the Notes. Consequently, readers are cautioned that the Cash Flow Statement may not be appropriate for other purposes.

Yours truly,

Per: Name: Neville Lewis
Title: Vice President

Comark Holdings Inc. dba Comark Services
6789 Millcreek Drive, Mississauga, Ontario L5N 5M4
Tel.: (905) 567-7375 Fax: (905) 567-4130

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF COMARK HOLDINGS INC., BOOTLEGGER CLOTHING INC., CLEO FASHIONS INC. AND RICKI'S FASHIONS INC.

Court File No.: ________________

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

PRE-FILING REPORT OF THE PROPOSED MONITOR

GOODMANS LLP
Barristers & Solicitors
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Canada M5H 2S7

Robert J. Chadwick LSO#: 35165K
rchadwick@goodmans.ca

Brendan O'Neill LSO#: 43331J
boneill@goodmans.ca

Bradley Wiffen LSO#: 64279L
bwiffen@goodmans.ca

Tel: 416.979.2211
Fax: 416.979.1234

Lawyers for the Proposed Monitor

APPENDIX B
DIP TERM SHEET

See attached.

DEBTOR-IN-POSSESSION FINANCING TERM SHEET

Dated June 10, 2020

WHEREAS, Comark Holdings Inc., Ricki's Fashions Inc., cleo fashions Inc. and Bootlegger Clothing Inc., each a corporation incorporated pursuant to the laws of Canada, have requested that the DIP Lender (as defined below) provide them funding in order to assist with certain restructuring proceedings under the *Companies' Creditors Arrangement Act* (the "**CCAA**") commenced before the Ontario Superior Court of Justice (Commercial List) (the "**Court**") pursuant to an initial order on June 3, 2020 (as may be amended and restated from time to time, the "**Initial Order**"), involving each of them as applicants and Alvarez & Marsal Canada Inc. being appointed as monitor (the "**Monitor**") (such proceedings commenced thereby, the "**CCAA Proceedings**"), all in accordance with the terms set out herein;

NOW THEREFORE, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

1.	**BORROWERS:**	Comark Holdings Inc. ("**Comark**") Ricki's Fashions Inc. cleo fashions Inc. Bootlegger Clothing Inc. (collectively, the "**Borrowers**")
2.	**DIP LENDER:**	Canadian Imperial Bank of Commerce (in its capacity as lender under the DIP Facility (as defined below), the "**DIP Lender**").
3.	**DIP FACILITY, COMMITMENTS, MAXIMUM AMOUNT AND UPFRONT FEE:**	A super-priority, debtor-in-possession, revolving credit facility (the "**DIP Facility**") up to a maximum principal amount of $10,000,000 in accordance with the following: (a) Up to and including June 25, 2020 and subject to Section 5.1 hereof, up to a maximum principal amount of $4,000,000 (the "**Initial Commitment**"); and (b) After June 25, 2020, subject to Section 5.2 hereof and provided that the DIP Lender has received and approved of the Incremental Commitment Budget (as defined below), an incremental commitment of up to a maximum principal amount of $6,000,000 (the "**Incremental Commitment**"). Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may, at any time and from time to time prior to the Termination Date (as defined below), borrow, prepay and reborrow loans

from the DIP Lender (each, a "**Loan**") under the DIP Facility.

Each Loan shall be made upon the Borrowers' written notice to the DIP Lender. Each such notice shall specify the aggregate amount of the requested Loan and the date such Loan is to be advanced by the DIP Lender (which shall be a business day).

Upfront fee: (a) $40,000 (1% of the Initial Commitment) plus, (b) subject to satisfaction of all conditions precedent in Section 5.2 hereof, $60,000 (1% of the Incremental Commitment), shall be payable to the DIP Lender, in connection with the establishment of the DIP Facility and shall be payable from proceeds of Loans advanced from (x) the Initial Commitment in the case of the foregoing paragraph (a) or (y) the Incremental Commitment in the case of the foregoing paragraph (b).

4. **PURPOSE:**

To provide for the liquidity needs of the Borrowers pursuant to the Agreed Budget (as defined below and attached as Schedule "A" hereto) while the Borrowers are under CCAA protection pursuant to the CCAA Proceedings, as more fully set forth herein.

5. **CONDITIONS PRECEDENT TO DIP ADVANCES:**

5.1 The DIP Lender's obligation to make any Loan under the Initial Commitment is subject to, and conditional upon, all of the following conditions precedent being satisfied at the time each such Loan is to be made, each of which is for the benefit of the DIP Lender and may be waived by the DIP Lender in its discretion:

(a) The Court shall have, on or before June 11, 2020 made the following orders, in a form satisfactory to the DIP Lender, and these orders shall not have been stayed, vacated or otherwise caused to be ineffective or amended, restated or modified without the consent of the DIP Lender:

(i) An order approving the DIP Facility and this Term Sheet and granting the DIP Lender a charge (the "**DIP Lender's Charge**") over the Property (as defined in the Initial Order) securing all obligations under this Term Sheet;

(ii) An order approving a sale and investment solicitation process (which shall include a solicitation of liquidation proposals) and the timelines set forth therein (the "**SISP**"); and

(iii) An order approving a self-liquidation process for the Borrowers' stores with leases that have been disclaimed by the Borrowers pursuant to the CCAA until further order of the Court (the "**Self-Liquidation**").

The DIP Lender acknowledges and agrees that the above orders may form part of the amended and restated Initial Order or other orders of the Court in the CCAA Proceedings;

(b) Receipt of the documents and reporting set out in Section 8 hereof required to be delivered at the applicable time of such Loan;

(c) Execution and delivery of guarantee from 9383921 Canada Inc. (or another entity satisfactory to the DIP Lender) in favour of the DIP Lender in the principal amount of the lesser of (i) $5,000,000, and (ii) the product of (A) 50% of the percentage achieved by dividing the total amount advanced under the DIP Facility by the total indebtedness owing to the DIP Lender (under the DIP Facility and under the credit agreement dated August 20, 2015 (as amended, the "**Comark Credit Agreement**") between, *inter alia*, the DIP Lender, as lender, and Comark, as borrower) multiplied by (B) the aggregate shortfall, if any, suffered by the DIP Lender (under the DIP Facility and under the Comark Credit Agreement) in a realization of Property. Such guarantee shall be secured by cash collateral (which can be replaced by a guarantor acceptable to the DIP Lender) in an amount equal to the maximum principal liability under the guarantee, being $5,000,000;

(d) There shall be no liens or charges ranking in priority to the DIP Lender's Charge on the Property except for (i) the Administration Charge (as defined in the Initial Order), up to a maximum amount of $750,000, and (ii) statutory super-priority liens for unpaid source deductions or taxes;

(e) The Directors' Charge (as defined in the Initial Order) and the security, liens and other charges granted under or in connection with the Comark Credit Agreement (the "**Pre-Filing CIBC Security**") shall have the following ranking of priority on the Property as among them: (i) the Directors' Charge up to a maximum amount of $1.35 million, (ii) the Pre-Filing CIBC Security up to a maximum amount of $3 million, and (iii) the Directors' Charge up to a maximum amount of $1.35 million;

(f) The fees and interest payable under this Term Sheet shall have been paid, or will be paid from the proceeds of the requested advance;

(g) The Borrowers shall be in material compliance with any timetables established from time to time by them and approved by the DIP Lender setting out the SISP or Self-Liquidation;

(h) The DIP Lender shall have received a written request for an advance from the Borrowers in substantially the form attached as Schedule "B" which shall be executed by an officer of the Borrowers;

(i) No default or Event of Default (as defined below) has occurred; and

(j) The DIP Lender is satisfied that no event, circumstance, occurrence or change has occurred which would have a material adverse effect on (i) the Borrowers' ability to perform any material obligation under this Term Sheet or any order made in the CCAA Proceedings, or (ii) the validity or enforceability of the DIP Lender Charge.

5.2 The DIP Lender's obligation to make any Loan under the Incremental Commitment is subject to, and conditional upon, all of the following conditions precedent being satisfied at the time each such Loan is to be made:

(a) The conditions set forth in Section 5.1 hereof;

(b) Compliance with the timelines in the SISP in all material respects unless otherwise agreed by the DIP Lender;

(c) The Borrowers shall have satisfied Section 8.5 hereof, including acceptance by the DIP Lender, as of the date specified therein; and

(d) The Borrowers shall have satisfied Section 8.6 hereof as of the date specified therein.

6. **COSTS AND EXPENSES:**

On at least a bi-weekly basis, the Borrowers shall pay the reasonable and documented legal fees (on a solicitor-client, full-indemnity basis), financial advisor fees (on a full indemnity basis) and other out-of-pocket disbursements of the DIP Lender incurred in connection with or otherwise relating to the CCAA Proceedings.

7. **REPAYMENT:**

All Loans under DIP Facility shall be repaid by the Borrowers on the earlier of (the "**Termination Date**"):

(a) An Event of Default (as defined below);

(b) Implementation of a CCAA plan of compromise and arrangement which was proposed and filed with the Court in the CCAA Proceedings (a "**Plan**");

(c) Closing of a sale transaction within the CCAA Proceedings (including any credit bid transaction implemented pursuant to the SISP);

(d) Termination of the CCAA Proceedings or conversion into proceedings under the *Bankruptcy and Insolvency Act*; and

(e) September 1, 2020.

The Borrowers may, at any time and from time to time prior to the Termination Date, prepay any Loan in whole or in part without premium or penalty.

The commitment in respect of the DIP Facility shall expire on the Termination Date and all amounts outstanding under the DIP Facility shall be repaid in full on the Termination Date, without the DIP Lender being required to make demand on the Borrowers or give notice that the DIP Facility has expired and the obligations are due and payable.

The order of the Court sanctioning any Plan shall not discharge or otherwise affect in any way any of the obligations of the Borrowers under the DIP Facility.

8. **AGREED BUDGET, INCREMENTAL COMMITMENT BUDGET, AND OTHER REPORTING:**

8.1 The Borrowers and the DIP Lender hereby agree that the weekly cash flow forecast for the 13-week period from May 31, 2020 to August 29, 2020 filed by the Borrowers with the Court on June 3, 2020 as part of the CCAA Proceedings shall be the initial "**Agreed Budget**" hereunder.

8.2 On a weekly basis, the Borrower will deliver to the DIP Lender in writing:

(a) a report for the most recently ended week showing actual cash receipts and actual expenditures for each line item in the Agreed Budget which includes an explanation for any differences to budgeted amounts;

(b) the Agreed Budget, as updated for the remainder of the initial 13-week period;

(c) a report on the unpaid invoices of the beneficiaries of the Administration Charge;

(d) a report on the status of discussions, including responses, with the top 15 landlords which includes a summary by store; and

(e) a rolling draft of the Borrowing Base Certificate (as defined in the Comark Credit Agreement).

8.3 Representatives of the Monitor and the Borrowers will have a weekly call with the DIP Lender and its advisors to discuss the reporting set out in 8.2, along with the status of the SISP, the Self-Liquidation and other matters that the DIP Lender may request.

8.4 The Agreed Budget shall meet the following cash flow tests:

(a) The Borrowers' actual Disbursements (excluding Interest and the fees and expenses, including the professional fees and expenses of the DIP Lender, incurred by the Borrowers pursuant to this DIP Facility) (as such terms are used in the Agreed Budget) calculated as of each Saturday shall not have exceeded 110% of the corresponding amount as of such Saturday as set forth in the Agreed Budget, in each case, calculated on a cumulative basis for the prior week; and

(b) The Borrowers' actual Net Cash Flow (as such term is used in the Agreed Budget) calculated as of each Saturday shall not be less than 85% of the corresponding amount as of such Saturday as set forth in the Agreed Budget, in each case, calculated on a cumulative basis for the prior week.

8.5 On or before June 25, 2020, or such later date as may be agreed to by the DIP Lender, acting reasonably, the Borrowers shall revise and update the Agreed Budget to reflect the results of the SISP and deliver same to the DIP Lender. Upon acceptance of such revised and updated Agreed Budget (the "**Incremental Commitment Budget**") in the DIP Lender's discretion, such Incremental Commitment Budget shall become the new Agreed Budget.

8.6 On or before June 24, 2020, or such later date as may be agreed to by the DIP Lender, acting reasonably, the Borrowers will provide the DIP Lender with:

(a) Copies of all sale, investment and liquidation proposals and agreements received by the Borrowers pursuant to the SISP (which copies shall be unredacted unless subject to disclosure restrictions pursuant to the applicable proposal), including any credit bid transaction proposal or agreement; and

(b) Such other documentation in respect of the SISP as may be requested by the DIP Lender.

8.7 On or before June 30, 2020, the Borrowers will provide the DIP Lender with:

(a) A proposal with *pro forma* modelling in respect of financing required for the Borrowers to exit the CCAA proceedings; and

(b) Such other documentation as may be requested by the DIP Lender.

9. **AVAILABILITY UNDER THE DIP FACILITY:**

Each advance shall be in a minimum aggregate amount that is no less than $500,000 and in excess thereof in integral multiples of $100,000.

All proceeds of the advances shall be deposited into the Borrowers' account with the DIP Lender.

10. **INTEREST RATE:**

8.0% per annum, calculated and payable monthly in arrears on the last business day of each calendar month, calculated on the principal amount of Loans outstanding during such period.

11. **AFFIRMATIVE COVENANTS:**

Until the Termination Date, the Borrowers covenant and agree with the DIP Lender that they will:

(a) Allow the DIP Lender and its agents/advisors reasonable access to the Borrowers' books and records;

(b) Use reasonable efforts to keep the DIP Lender apprised on a timely basis of material developments regarding the Borrowers' business and affairs, including discussions with landlords;

(c) Provide the DIP Lender with regular updates regarding the CCAA Proceedings;

(d) Conduct all activities in a manner consistent with the Agreed Budget, subject to any permitted variance contemplated by this Term Sheet;

(e) Obtain the DIP Lender's written consent prior to seeking the Court's approval of any Successful Bid(s) (as defined in the SISP) unless such Successful Bid(s) provide for the payment in full of all obligations owed to the DIP Lender under the DIP Facility and the Comark Credit Agreement;

(f) Conduct all activities in a manner consistent with the SISP and any other order of the Court in the CCAA Proceedings; and

(g) Forthwith notify the DIP Lender of the occurrence of any default or Event of Default.

12. **NEGATIVE COVENANTS:**

Until the Termination Date, the Borrowers covenant and agree with the DIP Lender that they will not, without the prior written consent of the DIP Lender:

(a) Transfer, lease or otherwise dispose of all or any part of the Property outside of the ordinary course of business, except as otherwise permitted pursuant to the Initial Order or any other order of the Court in the CCAA Proceedings;

(b) Create or permit to exist indebtedness, (including guarantees thereof or indemnities or other financial assistance in respect thereof) other than existing (pre-filing) debt, debt contemplated by this Term Sheet or the Agreed Budget, customer obligations, post-filing trade payables or other unsecured obligations incurred in the ordinary course of business, and indebtedness contemplated by any order of the Court in the CCAA Proceedings;

(c) Make any payments not consistent with the Agreed Budget and the Initial Order;

(d) Seek the Court's sanctioning of a Plan or approval of the liquidation of all of the Property other than as contemplated by the Self-Liquidation or the SISP;

(e) Purchase or otherwise acquire any additional inventory (for greater certainty, including any additional merchandise), except in accordance with the Agreed Budget; provided that the Borrowers shall not purchase or otherwise acquire any additional inventory prior to June 25, 2020; and

(f) Create, permit to exist or seek or support a motion by another party that would result in any liens or charges against the Property that would rank in priority to the DIP Lender's Charge or the Pre-Filing CIBC Security, other than the Administration Charge, the Directors' Charge and statutory super-priority liens for unpaid source deductions or taxes.

13. **EVENTS OF DEFAULT:**

If any of the following events (each, an "**Event of Default**") shall occur:

(a) Issuance of an order (i) dismissing the CCAA Proceedings or appointing a receiver over all of the Property; (ii) granting a lien which is senior or *pari passu* to the DIP Lender's Charge (other than the Administration Charge), including increasing the Administration Charge above $750,000, without the DIP Lender's prior written consent; or (iii) staying, reversing, vacating or otherwise modifying this Term Sheet or the DIP Lender's Charge;

(b) The Borrowers shall not have complied with the cash flow test in Section 8.4(a) or the Section 8.4(b) hereof;

(c) The sanction of any Plan that is not consistent with or contravenes any provision of this Term Sheet in a manner that would be materially adverse to the interests of the DIP Lender, unless the DIP Lender has consented to such a Plan;

(d) The sanction or approval of any transaction involving the sale of all or substantially all of the Property or any other restructuring of the Borrowers' business and operations, including any liquidation, bankruptcy or other insolvency proceeding that is not consistent with or contravenes any provision of this Term Sheet in a manner that would be materially adverse to the interests of the DIP Lender, unless the DIP Lender has consented to such a transaction or such transaction provides for the payment in full of all obligations owed to the DIP Lender under the DIP Facility and the Comark Credit Agreement; and

(e) Failure of the Borrowers to pay any interest or fees owing under this Term Sheet which remains un-remedied for two (2) business days after written notice from the DIP Lender to the Borrowers that such amount is overdue,

then the DIP Lender shall be entitled to declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrowers accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers.

14. **INDEMNITY AND RELEASE:**

The Borrowers agree, on a joint and several basis, to indemnify and hold harmless the DIP Lender and its respective directors, officers, employees, agents, attorneys, advisors and affiliates (all such persons and entities being referred to hereafter as "**Indemnified Persons**") from and against any and all actions, suits, proceedings (including any investigations or inquiries), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever (excluding indirect or consequential damages and claims for lost profits) which may be incurred by or asserted against or involve any Indemnified Person (collectively, "**Claims**") as a result of or arising out of or in any way related to or resulting from the DIP Facility or this Term Sheet (regardless of whether such Claim is made in the CCAA Proceedings or any other proceeding, including a bankruptcy or insolvency proceeding) and, upon demand, to pay and reimburse any Indemnified Person for any legal or other out-of-pocket expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding (including, without limitation, any inquiry or investigation) or claim (whether or not any Indemnified Person is a party to any action or proceeding out of which any such expenses arise); provided, however, the Borrowers shall not be obligated to indemnify pursuant to this paragraph any Indemnified Person against any loss, claim, damage, expense or liability (a) to the extent it resulted from the gross negligence or wilful misconduct of such Indemnified Person as finally determined by a court of competent jurisdiction, or (b) to the extent arising from any dispute solely among Indemnified Persons other than any claims arising out of any act or omission on the part of a Borrower. The Borrowers shall not be responsible or liable to any Indemnified Person or any other person for consequential or punitive damages.

15. **CURRENCY:**

All dollar amounts referred to herein are denominated in Canadian dollars unless otherwise specified.

16. **GOVERNING LAW:**

Province of Ontario and the laws of Canada applicable therein.

17. **AMENDMENTS, WAIVERS, ETC.:**

No waiver or delay on the part of the DIP Lender in exercising any right or privilege under or in respect of this Term Sheet will operate as a waiver hereof or thereof unless made in writing and signed by an authorized officer of the DIP Lender. Any consent to be provided by the DIP Lender shall be granted or withheld solely in its capacity as and having regard to its interests as DIP Lender.

18. **ASSIGNMENT:**

The DIP Lender may assign this Term Sheet and its rights and obligations hereunder in whole or in part: (i) at any time to an affiliate; (ii) prior to the occurrence of an Event of Default, subject to the consent of the Borrowers, not to be unreasonably withheld; (iii) following the occurrence of an Event of Default, to any person acceptable to the DIP Lender in its sole and absolute discretion (subject in all cases to providing the Monitor with reasonable evidence that such assignee has the financial capacity to fulfill the obligations of the applicable DIP Lender under this Term Sheet).

This Term Sheet and the rights and obligations hereunder shall not be assigned by any of the Borrowers without the prior written consent of the DIP Lender.

19. **ENTIRE AGREEMENT:** This Term Sheet constitutes the entire agreement between the parties relating to the subject matter hereof.

20. **COUNTERPARTS:** This Term Sheet may be executed by one or more of the parties to this Term Sheet on any number of separate counterparts (including by facsimile or other electronic transmission (i.e., a "PDF" or "TIF" file)), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, the undersigned have agreed this Term Sheet as of the date first written above.

COMARK HOLDINGS INC.,
as Borrower

By: ______________________
Name: Shamsh Kassam
Title: Director

RICKI'S FASHIONS INC.,
as Borrower

By: ______________________
Name: Shamsh Kassam
Title: Director

CLEO FASHIONS INC.,
as Borrower

By: ______________________
Name: Shamsh Kassam
Title: Director

BOOTLEGGER CLOTHING INC.,
as Borrower

By: ______________________
Name: Shamsh Kassam
Title: Director

CANADIAN IMPERIAL BANK OF COMMERCE,
as DIP Lender

By: ______________________
Name:
Title:

IN WITNESS WHEREOF, the undersigned have agreed this Term Sheet as of the date first written above.

COMARK HOLDINGS INC.,
as Borrower

By: ______________________________
Name:
Title:

RICKI'S FASHIONS INC.,
as Borrower

By: ______________________________
Name:
Title:

CLEO FASHIONS INC.,
as Borrower

By: ______________________________
Name:
Title:

BOOTLEGGER CLOTHING INC.,
as Borrower

By: ______________________________
Name:
Title:

CANADIAN IMPERIAL BANK OF COMMERCE,
as DIP Lender

By: ______________________________ Digitally signed by Supriya Sarin Date: 2020.06.10 13:47:23 -04'00'
Name:
Title:

SCHEDULE "A"

AGREED BUDGET

Comark Holdings Inc., et al
13-Week Cash Flow Forecast
(Unaudited, in 000s CAD)

		Week 1	*Week 2*	*Week 3*	*Week 4*	*Week 5*	*Week 6*	*Week 7*	*Week 8*	*Week 9*	*Week 10*	*Week 11*	*Week 12*	*Week 13*	**13-Week**
Week Ending	**Notes**	**Jun 6**	**Jun 13**	**Jun 20**	**Jun 27**	**Jul 4**	**Jul 11**	**Jul 18**	**Jul 25**	**Aug 1**	**Aug 8**	**Aug 15**	**Aug 22**	**Aug 29**	**Total**
Stores Open		*81*	*200*	*200*	*200*	*200*	*295*	*295*	*295*	*295*	*286*	*286*	*286*	*286*	
Receipts															
Sales	**1**	1,298	1,536	2,340	2,733	2,182	3,292	2,863	3,497	3,113	3,570	3,069	3,471	3,850	**36,811**
Disbursements															
Merchandise Vendors	**2**	-	-	(1,200)	(1,588)	(2,120)	(205)	(19)	(1,337)	(1,708)	(821)	(1,770)	(1,313)	(1,504)	**(13,586)**
Non-Merchandise Vendors	**3**	(500)	(850)	(850)	(1,119)	(1,067)	(505)	(1,052)	(493)	(958)	(633)	(900)	(954)	(866)	**(10,746)**
Payroll	**4**	(197)	(1,280)	(542)	(1,610)	(264)	(1,781)	(28)	(2,430)	732	(2,486)	(677)	(1,956)	515	**(12,002)**
Rent and Utilities	**5**	(1,612)	(1,612)	-	(8)	(170)	-	(470)	-	-	(33)	(1,108)	-	(50)	**(5,064)**
GST/HST Remittance	**6**	-	-	-	-	-	-	1,531	-	(63)	-	-	-	-	**1,468**
Interest	**7**	-	-	-	-	(131)	-	-	-	(143)	-	-	-	(142)	**(415)**
Restructuring Professional Fees	**8**	(363)	(363)	-	(675)	-	(675)	-	(400)	-	(250)	-	(250)	-	**(2,975)**
Total Disbursements		**(2,671)**	**(4,105)**	**(2,592)**	**(5,000)**	**(3,751)**	**(3,165)**	**(38)**	**(4,660)**	**(2,139)**	**(4,224)**	**(4,454)**	**(4,474)**	**(2,047)**	**(43,320)**
Net Cash Flow		**(1,373)**	**(2,568)**	**(252)**	**(2,267)**	**(1,570)**	**126**	**2,825**	**(1,163)**	**973**	**(654)**	**(1,385)**	**(1,003)**	**1,803**	**(6,508)**
Opening Cash Balance		5,319	3,946	1,377	1,125	858	1,288	1,414	2,239	1,076	2,050	1,396	1,011	1,007	**5,319**
Net Cash Flow		(1,373)	(2,568)	(252)	(2,267)	(1,570)	126	2,825	(1,163)	973	(654)	(1,385)	(1,003)	1,803	**(6,508)**
DIP Draw / (Repayment)		-	-	-	2,000	2,000	-	(2,000)	-	-	-	1,000	1,000	(2,000)	**2,000**
Closing Cash Balance		**3,946**	**1,377**	**1,125**	**858**	**1,288**	**1,414**	**2,239**	**1,076**	**2,050**	**1,396**	**1,011**	**1,007**	**811**	**811**
Illustrative DIP Structure	**9**														
Opening DIP Balance		-	-	-	-	(2,000)	(4,000)	(4,000)	(2,000)	(2,000)	(2,000)	(2,000)	(3,000)	(4,000)	
DIP (Draw) / Repayment		-	-	-	(2,000)	(2,000)	-	2,000	-	-	-	(1,000)	(1,000)	2,000	
Ending DIP Balance		**-**	**-**	**-**	**(2,000)**	**(4,000)**	**(4,000)**	**(2,000)**	**(2,000)**	**(2,000)**	**(2,000)**	**(3,000)**	**(4,000)**	**(2,000)**	

Comark Holdings Inc., et al
13-Week Cash Flow Forecast
Notes and Summary of Assumptions

Disclaimer

In preparing this cash flow forecast (the "Forecast"), the Applicants have relied upon unaudited financial information and have not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions discussed below with respect to the requirements and impact of a filing under the Companies' Creditors Arrangement Act ("CCAA"). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast period will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized. The Forecast is presented in thousands of Canadian dollars.

1) **Sales**
   Includes receipts from the sale of goods through the Applicants' bricks-and-mortar and ecommerce platforms. Store re-opening assumptions are summarized in the Monitor's Pre-Filing Report and are based on provincial government guidance received to date. The Applicant anticipates that all remaining retail locations will be permitted to re-open in the first week of July. Sales include HST/GST and are net of anticipated returns and gift card redemptions.

2) **Merchandise Vendors**
   Includes payments to foreign and domestic merchandise vendors. The forecast amounts include freight and import duties, where applicable.

3) **Non-Merchandise Vendors**
   Includes logistics, software, store level expenses, overhead costs and other similar expenses.

4) **Payroll**
   Includes payroll, benefits and taxes for all store-level and corporate employees. Payroll estimates have been adjusted to reflect forecast store re-openings and are net of anticipated subsidies received under the Canadian Employee Wage Subsidy program, where applicable.

5) **Rent and Utilities**
   June rent is forecast to be paid in equal installments on the Filing Date and June 15 under current lease terms for open stores. No June rent is forecast to be paid for stores closed due to COVID-19. Renegotiated percentage rent terms are projected to commence on July 1, such that July percentage rents are forecast to be paid on or before August 15. Rents paid in July include amounts under current lease terms for stores to be liquidated and closed (assuming certain closed store re-open by July 1), and an estimate for existing percentage rent stores for June sales.

6) **GST/HST Remittance**
   Includes an estimated refund from the Canadian Revenue Agency based on the Applicants' current receivable position for income tax losses, less estimated sales tax amounts owing.

7) **Interest**
   Includes interest on the CIBC Revolver and Term Loan, and an estimate for interest on the anticipated DIP facility.

8) **Professional Fees**
   Includes payments to the Applicants' legal counsel, CCAA Monitor, Monitor's legal counsel and the financial and legal advisors to CIBC.

9) **Illustrative DIP Structure**
   The Applicants are currently in discussions with CIBC to finalize the terms of a DIP facility. It is anticipated that the Applicants will seek approval of the DIP facility at the comeback hearing. The DIP facility included in the cash flow forecast, at this time, is for illustrative purposes only.

SCHEDULE "B"

REQUEST FOR ADVANCE

TO: CANADIAN IMPERIAL BANK OF COMMERCE, as DIP Lender

DATE: [●], 2020

The undersigned refers to the DIP financing term sheet dated as of June ___, 2020 (the "**Term Sheet**") made among Comark Holdings Inc., Ricki's Fashions Inc., cleo fashions Inc., Bootlegger Clothing Inc. (collectively, the "**Borrowers**") and Canadian Imperial Bank of Commerce, as DIP Lender.

Capitalized terms used in this Request for Advance have the same meanings herein as are ascribed thereto in the Term Sheet.

1. **[●]** as Borrower under this Request for Advance, hereby gives you notice pursuant to the Term Sheet that the undersigned requests an advance under the DIP Facility (the "**DIP Facility Advance**") be deposited into the Borrower's account with CIBC as follows:

   (a) Amount of DIP Facility Advance requested: $[●]

   (b) Requested funding date: [●]

   (c) Total principal amount currently outstanding (excluding this DIP Facility Advance): $[●]

   (d) Availability remaining under the DIP Facility (excluding this DIP Facility Advance): $[●]

2. The undersigned, being [●], an officer of the Borrower, hereby certifies to you for and on behalf of the Borrower (and not in his or her personal capacities) as follows:

   (a) no Event of Default has occurred and is continuing or shall result from the requested DIP Facility Advance;

   (b) the DIP Facility Advance shall not cause the aggregate amount of all outstanding DIP Facility Advances to be greater than the amount shown on the Agreed Budget as at the date of such DIP Facility Advance;

   (c) the DIP Facility Advance is consistent with the Agreed Budget; and

   (d) the Borrowers are in compliance, in all material respects, with the Term Sheet and the orders made by the Court in the CCAA Proceedings, and will be in compliance, in all material respects, as of the date of the requested DIP Facility Advance.

[Signature page follows]

The undersigned certifies that **[he/she]** is [●], of the Borrower, and that as such **[he/she]** is authorized to execute this certificate on behalf of the Borrower. The undersigned further certifies, represents and warrants on behalf of the Borrower that the Borrower is entitled to receive the requested DIP Facility Advance under the terms and conditions of the Term Sheet.

[●]

Per: ______________________________
Name: [●]
Title: [●]

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF COMARK HOLDINGS INC., BOOTLEGGER CLOTHING INC., CLEO FASHIONS INC. AND RICKI'S FASHIONS INC.

Court File No.: CV-20-00642013-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

FIRST REPORT OF THE MONITOR

GOODMANS LLP
Barristers & Solicitors
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Canada M5H 2S7

Robert J. Chadwick LSO#: 35165K
rchadwick@goodmans.ca

Brendan O'Neill LSO#: 43331J
boneill@goodmans.ca

Bradley Wiffen LSO#: 64279L
bwiffen@goodmans.ca

Tel: 416.979.2211
Fax: 416.979.1234

Lawyers for the Monitor