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.

SECOND REPORT OF THE MONITOR ALVAREZ & MARSAL CANADA INC.

JULY 8, 2020

TABLE OF CONTENTS

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 Entities**") 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 Monitor also filed the First Report of the Monitor dated June 10, 2020 (the "**First Report**"). The Pre-Filing Report, the First 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 First Report (without appendices) 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**"); and

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

1.4 On June 12, 2020, the Court granted the Amended and Restated Initial Order which modified the Initial Order in certain respects. The Amended and Restated Initial Order, among other things:

(i) authorized 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**");

(ii) authorized 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 granted the DIP Lender a priority security charge over the Applicants' Property (the "**DIP Lender's Charge**") to secure the obligations under the DIP Facility;

(iii) increased the Administration Charge and the Directors' Charge up to a maximum amount of $750,000 and $2.7 million, respectively, and adjusted certain of the priorities of the Court-ordered charges; and

(iv) extended the Stay Period to and including August 15, 2020.

1.5 Also, on June 12, 2020, the Court granted the SISP Approval Order which authorized the Applicants, with the assistance of the Monitor, to conduct a sale and investment solicitation process to determine market interest in potential sale, investment and liquidation transactions in respect of the Comark Entities and their business and assets (the "**SISP**").

1.6 The Applicants are apparel retailers, headquartered in Mississauga, Ontario. At the commencement of the CCAA proceedings, the Applicants had 310 stores and approximately 2,500 employees across Canada operating 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.

1.7 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 Entities 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 approximately $50 million from the comparable prior year period.

1.8 In light of their liquidity crisis and the uniquely challenging circumstances arising from the COVID-19 pandemic, the Applicants have pursued a restructuring on a highly accelerated basis. A key component of the Applicants’ restructuring plan has been the negotiation and finalization of consensual lease amendments for their leased retail locations, with the intent of achieving lease amendments for a critical mass of the Applicants’ stores (the “**Rent Restructuring Plan**”) to facilitate a going concern outcome for the business.

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

(i) the Rent Restructuring Plan;

(ii) the SISP;

(iii) the Applicants' motion for an order (the "**Approval Order**"), which among other things:

(a) approves a share purchase agreement (the "**Purchase Agreement**") between 9383921 Canada Inc. ("**ParentCo**" or the "**Vendor**"), the Comark Entities and 12132958 Canada Ltd. (the "**Purchaser**"), an affiliate of ParentCo, pursuant to which the Purchaser will acquire from the Vendor all of the outstanding shares of Comark, among other things (the "**Transaction**"); and

(b) adds 11909509 Canada Inc. ("**ExcludedCo**") as an applicant in the CCAA Proceedings;

(iv) effects certain reorganization, vesting and payment steps effective at the closing time of the Transaction (the "**Closing Time**"), including the following (capitalized terms used and not defined have the meanings given to them in the Purchase Agreement):

(a) transfers and vests all of the Comark Entities' interest in and to the Excluded Assets to ExcludedCo;

(b) orders that all Excluded Liabilities are transferred to, assumed by and vested in ExcludedCo and releases and discharges the Comark Entities and the Retained Assets from the Excluded Liabilities and related Claims and Encumbrances (other than certain Permitted Encumbrances);

(c) directs the Purchaser to pay to CIBC an amount equal to the outstanding obligations under the DIP Facility and the pre-filing credit facility (the "**CIBC Credit Facility**") at the Closing Time;

(d) transfers to and vests in the Purchaser all of the Vendor's right, title and interest in and to the Purchased Shares, the Vendor Secured Debt and the Vendor Secured Debt Documents, free and clear of all Claims and Encumbrances;

(e) approves the amalgamation of the Purchaser and Comark; and

(f) discharges the Comark Entities from the CCAA Proceedings;

(g) releases the Released Parties (as defined below) in respect of any claims or obligations relating to the Purchase Agreement or the completion of the Transaction;

(f) authorizes ExcludedCo to file an assignment in bankruptcy; and

(g) upon the bankruptcy of ExcludedCo, terminates the CCAA Proceedings and discharges and releases the Monitor;

(v) the cash flow results of the Applicants for the five-week period ended July 4, 2020;

(vi) the activities of the Monitor since the date of the First Report (June 10, 2020); and

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

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Second 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 Entities and has held discussions with management of the Comark Entities and their legal counsel (collectively, the "**Information**"). Except as otherwise described in this Report in respect of the Applicants' 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 Second 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 Second Report was prepared based on the Applicants' 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 Second Report should be read in conjunction with the affidavit of Gerald Bachynski sworn on July 7, 2020 (the "**Third Bachynski Affidavit**") for additional background and other information regarding the Applicants. Capitalized terms used and not defined in this Second Report have the meanings given to them in the Amended and Restated Initial Order or the Third Bachynski Affidavit.

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

3.0 RENT RESTRUCTURING PLAN

3.1 As described in the First Report, following the granting of the Initial Order, the Applicants contacted each of their landlords to notify them of the CCAA Proceedings and to immediately commence the Rent Restructuring Plan. The Rent Restructuring Plan was designed with the goal of achieving targeted rent savings among a critical mass of leased locations to facilitate a going concern outcome for each of the Applicants' three retail banners. Among other things, the Rent Restructuring Plan included the following primary objectives:

(i) rent reductions such that each retained leased store location could be cash flow positive based on the Applicants' forecast level of future sales;

(ii) closure of leased store locations that could not be made at least cash flow positive; and

(iii) obtaining an acceptable length of lease term to provide a level of certainty for the restructured business going forward.

3.2 The Applicants expect to finalize consensual lease amendments for 281 of the 310 stores operated by the Comark Entities as of the Filing Date and to date have executed binding lease amendments in respect of 272 stores.

3.3 The Monitor was actively involved in supporting the Applicants in the negotiation of the Rent Restructuring Plan and CIBC and its legal and financial advisors were provided with regular updates on the Applicants' progress in respect of the Rent Restructuring Plan.

<u>Notices to Disclaim</u>

3.4 Since the granting of the Initial Order, the Applicants have delivered notices to disclaim 29 retail store leases. As described in the Monitor's prior reports, certain of these notices were delayed and issued as soon as the applicable stores were lawfully entitled to re-open to the public and store-level inventory liquidations could be commenced.

3.5 Inventory liquidation sales have been completed or are being carried out by the Applicants at disclaimed locations in accordance with the Sale Guidelines approved by the Court in the Amended and Restated Initial Order.

3.6 The number of disclaimed retail store leases referred to above does not include four notices to disclaim that were originally delivered by the Applicants but subsequently withdrawn with the agreement of the applicable landlords and the Monitor as a result of the finalization of consensual lease amendments.

3.7 In addition to the Rent Restructuring Plan specific to store leases, the Applicants will also be restructuring certain head office and operational functions, which will result in a consolidated head-office at facilities owned by an affiliate in Winnipeg, Manitoba. On July 7, 2020, the Applicants consensually delivered notices to disclaim two leased office locations in Mississauga, Ontario and Richmond, British Columbia. The Applicants are in the process of entering into short-term arrangements with both landlords to assist with the transition and migration of activities and functions to Winnipeg.

4.0 SALE AND INVESTMENT SOLICITATION PROCESS

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

4.2 As described in the First Report, following the granting of the Initial Order, the Monitor commenced initial marketing efforts in respect of the Comark Entities given the Applicants' intention to seek Court approval of and pursue the SISP on an expedited basis. The SISP Approval Order was granted by the Court at the comeback hearing on June 11, 2020. The Monitor continued marketing efforts subsequent to the granting of the SISP Approval Order.

4.3 As described in the First Report, the purpose of the SISP was to seek proposals: (a) for the purchase of all or a part of the Applicants' property (a "**Sale Proposal**"); (b) for an investment in or restructuring or refinancing of the Applicants and their business (an "**Investment Proposal**"); and (c) 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 Second Report have the meanings given to them in the SISP.

4.4 During Phase 1 of the SISP, the Monitor contacted a total of 25 parties that the Applicants and Monitor believed may have an interest in acquisition, investment or liquidation transactions in respect of all or part of the business and assets of the Applicants. Of the 25 parties contacted, 21 were identified as strategic or financial sponsors who, in the case they were to submit a Qualified LOI, would provide a Sale Proposal or Investment Proposal (referred to herein as a "**Going Concern Proposal**"), whereas four were inventory and FF&E liquidation firms who, in the case they were to submit a Qualified LOI, would provide a Liquidation Proposal.

4.5 Of the 21 parties contacted for a Going Concern Proposal, only one executed a non-disclosure agreement ("**NDA**"). That party was provided access to the electronic data room. The four parties contacted for Liquidation Proposals joined together in two groups of two joint ventures, with each group executing an NDA. Accordingly, there were three Qualified Phase 1 Bidders under the SISP, consisting of one bidder contemplating (but ultimately not submitting) a Going Concern Proposal and two bidders contemplating a Liquidation Proposal. Each Qualified Phase 1 Bidder was provided access to the electronic data room.

4.6 Over the course of Phase 1 and leading up to the Phase 1 Bid Deadline, the Applicants and the Monitor responded to diligence requests and questions from the Phase 1 Qualified Bidders. On June 19, 2020, the one Phase 1 Qualified Bidder that could have submitted a Going Concern Proposal indicated that it would not be submitting a bid.

4.7 By June 22, 2020, the Phase 1 Bid Deadline, the Monitor received two Liquidation Proposals and no Going Concern Proposals. Pursuant to the SISP, the deadline by which ParentCo was to submit an executed purchase agreement (the "**ParentCo Purchase Agreement**") in order to proceed with a transaction was June 22, 2020. This deadline was selected to provide any Phase 1 Qualified Bidders that submitted a Qualified LOI with the opportunity to review the ParentCo Purchase Agreement to determine whether to submit a Superior Offer in Phase 2 of the SISP. As no alternative Going Concern Proposals were submitted in Phase 1 of the SISP and the Applicants continued to advance the Rent Restructuring Plan following the Phase 1 Bid Deadline, the deadline for ParentCo to submit a ParentCo Purchase Agreement was extended, ultimately, to July 7, 2020, with the agreement of the Monitor and the DIP Lender, primarily to allow for more time to coordinate the finalization and execution of lease amendment letters.

4.8 Given the absence of any alternative Going Concern Proposals, it was determined by the Applicants, in consultation with the Monitor and the DIP Lender, that Phase 2 of the SISP was not required. In the case where the ParentCo Purchase Agreement was submitted, ParentCo would be deemed the Successful Bidder, proceeding to execute definitive documentation contemplated in the ParentCo Purchase Agreement. In the event that ParentCo did not submit the ParentCo Purchase Agreement, one of the Liquidation Proposals received could be selected as the Successful Bid.

4.9 The SISP established June 19, 2020 as the landlord deal deadline for the completion of the Rent Restructuring Plan and required the Rent Restructuring Plan to be provided to Phase 1 Qualified Bidders following the Rent Restructuring Plan Deadline. The Rent Restructuring Plan, which outlined then-current status of the discussions with the Applicants' landlords regarding consensual lease amendments, was prepared by the Monitor and provided to ParentCo on June 22, 2020. As the only Phase 1 Qualified Bidder in respect of a Going Concern Proposal had indicated to the Monitor on June 19, 2020 that it would not be pursuing any transaction, no further distribution of the Rent Restructuring Plan was required.

4.10 The Comark Entities and ParentCo developed and negotiated the ParentCo Purchase Agreement based on the non-binding term sheet submitted by ParentCo at the outset of the SISP. The Monitor and its counsel reviewed and commented on the form of purchase agreement, as did the DIP Lender and its legal and financial advisors. On July 7, 2020, ParentCo submitted an executed ParentCo Purchase Agreement to the Applicants and the Monitor. Following review of the ParentCo Purchase Agreement and in light of the fact that no Qualified LOIs in respect of Going Concern Proposals were received in Phase 1 of the SISP, the Applicants, in consultation with the Monitor and the DIP Lender, designated the ParentCo Purchase Agreement as the Successful Bid.

5.0 THE TRANSACTION AND THE APPROVAL ORDER

<u>The Transaction and the Purchase Agreement</u>

5.1 The Transaction contemplated under the Purchase Agreement provides for the acquisition of the Applicants' business on a going concern basis through the acquisition by the

Purchaser of all of the outstanding shares of Comark. Each of the Retail Entities will remain a wholly-owned subsidiary of Comark in connection with the completion of the Transaction. As a condition to closing and pursuant to the Approval Order, certain assets, liabilities and encumbrances of the Comark Entities that the Purchaser is not prepared to retain within the Comark Entities will be transferred to and vested in ExcludedCo, which will become the sole applicant in these CCAA proceedings upon the completion of the Transaction.

5.2 The Transaction is, in effect, a credit bid by ParentCo that will result in Purchaser (an affiliate of ParentCo) acquiring the restructured business of the Comark Entities in exchange for the payment of prior ranking claims and the discharge of the obligations under the Vendor Secured Debt. The outstanding obligations under the Vendor Secured Debt are approximately $25.4 million.

5.3 The Monitor understands that the Purchaser, the Vendor and the Comark Entities have structured the Transaction in this manner in order to preserve the corporate tax attributes and other intangible assets of the Comark Entities and complete the Transaction on an expedited basis given the Comark Entities' liquidity requirements and transaction timelines required pursuant to the SISP and the DIP Facility.

5.4 While the Transaction is structured as the acquisition of the Purchased Shares, it is conditional on the granting of the Approval Order that enables the Purchaser to acquire the underlying Retained Assets "free and clear" of certain obligations, claims and encumbrances. The Approval Order is similar to a typical CCAA vesting order in the sense that it enables the Purchaser to acquire the business and assets of the Comark Entities on a “free and clear” basis. However, because the Transaction is structured as a share purchase transaction in which the Comark Entities retain the purchased assets (rather than vesting the purchased assets into a new entity, as is typical in a CCAA asset sale transaction), the “free and clear” vesting is accomplished by transferring the Excluded Assets and Excluded Liabilities to ExcludedCo. The Monitor understands that this “reverse vesting” transaction structure has been approved in a number of recent CCAA proceedings, including most recently by this Court in the proceedings involving Wayland Group and its subsidiaries.

5.5 The Transaction will result in:

(i) the payment of the Share Purchase Price, in the amount of $1.00 plus Bankruptcy Costs of $65,000 to fund the anticipated bankruptcy proceedings in respect of ExcludedCo;

(ii) the settlement and discharge of the Vendor Secured Debt;

(iii) the satisfaction of all Priority Claims, being those obligations ranking in priority to the Vendor Secured Debt;

(iv) the repayment of the obligations under the DIP Facility and CIBC Credit Facility;

(v) the credit bidding of the Vendor Secured Debt through its acquisition by the Purchaser and its cancellation on completion of the Transaction;

(vi) the retention by the Comark Entities of the Retained Assets, which includes, among other assets, inventory and the Restructured Leases that are consensually amended between the Applicants and the respective landlords during the CCAA Proceedings;

(vii) the retention (and effective assumption) by the Comark Entities of the Retained Liabilities, including obligations in respect of employment-related obligations for Retained Employees, Retained Leases (i.e. the Restructured Leases and two corporate office leases, subject to the completion of short-term arrangements for those two locations), Gift Cards, Loyalty Programs and Taxes, in each case accruing to and after the Closing Time, and obligations in respect of Retained Contracts (other than Retained Leases) arising after the Closing Time; and

(viii) the transfer to, assumption by and vesting in ExcludedCo of the Excluded Assets and Excluded Liabilities that the Purchaser has determined not to retain in the Comark Entities following the completion of the Transaction.

5.6 The Purchase Agreement provides for the payment or satisfaction of Priority Claims, defined as: (a) the Administration Charge and the Directors' Charge granted in the Amended and Restated Initial Order; (b) claims in respect of wages, vacation pay, or any other employment-related obligations subject to director liability under applicable Law owing to Excluded Employees; (c) claims incurred for goods and services provided to the Comark Entities from and after the Filing Date and not otherwise Retained Liabilities; and (d) any other claim ranking in priority to the Vendor Secured Debt.

5.7 On the Closing Date, the Purchaser or the Comark Entities shall pay the Priority Claims to the applicable claimants, provided that the Purchaser and any such claimant may agree, with the consent of the Monitor, that such claimant's Priority Claim may be assumed by the Purchaser and/or the Comark Entities or satisfied other than through payment in full of such Priority Claim on the Closing Date.

5.8 Completion of the Transaction is conditional on the satisfaction of certain closing conditions, including:

(i) the Approval Order shall have been issued by the Court and shall have become a Final Order (mutual closing condition);

(ii) compliance with covenants under the Purchase Agreement in all material respects (mutual closing condition); and

(iii) there shall have been no Material Adverse Effect on the Business or the Retained Assets since the CCAA Filing Date (Purchaser closing condition).

5.9 The Purchase Agreement contains an outside date of August 7, 2020 (the "**Outside Date**"). If the Transaction is not completed by that date, either the Purchaser, on the one hand, or the Vendor and the Comark Entities, on the other hand, may terminate the Purchase Agreement, provided that any party seeking to terminate is not in breach of its obligations under the Purchase Agreement.

The Approval Order

5.10 The Approval Order approves the Purchase Agreement and the Transaction contemplated thereby and approves and orders a number of restructuring and vesting steps that are conditions to the completion of the Transaction. These steps, which are to take place commencing at the Closing Time in the sequence set forth in the Approval Order, include:

(i) ExcludedCo shall be added as an applicant in the CCAA Proceedings;

(ii) all of the Comark Entities' right, title and interest in and to the Excluded Assets shall vest exclusively in ExcludedCo;

(iii) all Excluded Contracts and Excluded Liabilities shall be transferred to, assumed by and vested in ExcludedCo, and the Comark Entities and the Retained Assets shall be released and discharged from the Excluded Contracts and the Excluded Liabilities;

(iv) the Bankruptcy Costs shall be paid to the Monitor, who shall provide same to A&M once appointed as trustee in bankruptcy of ExcludedCo;

(v) the Purchaser shall pay, assume or otherwise satisfy the Priority Claims in accordance with the Purchase Agreement;

(vi) the outstanding obligations under the DIP Facility and the CIBC Credit Facility shall be paid to CIBC;

(vii) all of the Vendor's right, title and interest in and to the Purchased Shares, the Vendor Secured Debt and the Vendor Secured Debt Documents shall vest absolutely in the Purchaser free and clear of all Claims and Encumbrances;

(viii) the Purchaser and Comark shall amalgamate and continue as one corporation under the *Canada Business Corporations Act*; and

(ix) the Comark Entities will cease to be Applicants in the CCAA Proceedings.

5.11 The overall effect of the Approval Order is that, upon completion of the Transaction, the amalgamated corporation will own all of the outstanding shares of each of Ricki's, cleo and Bootlegger. The Comark Entities will own the Retained Assets and be responsible for the payment of the Retained Liabilities and the Priority Claims from and after the Closing Time. The Comark Entities will not have any rights or obligations in respect of the Excluded Assets, the Excluded Contracts or the Excluded Liabilities, which will have been transferred to ExcludedCo. The Comark Entities will emerge from the CCAA Proceedings upon the completion of the Transaction and ExcludedCo will be the sole applicant in the CCAA Proceedings until it is assigned into bankruptcy as contemplated pursuant to the Approval Order.

5.12 The Approval Order includes releases of: (i) the current directors, officers, employees, legal counsel and advisors of the Comark Entities, the Purchaser and the Vendor; (ii) the directors and officers of ExcludedCo; (iii) the Monitor and its legal counsel; and (iv) CIBC and its legal counsel (collectively, the "**Released Parties**") in respect of any claims or obligations based on any act, omission, transaction, dealing or other occurrence undertaken pursuant to the Approval Order or arising in connection with or relating to the Purchase Agreement or the completion of the Transaction. In connection with the contemplated termination of the CCAA Proceedings, the Approval Order also includes a release of the Monitor, the Monitor's counsel and the Applicants' counsel, effective as of the CCAA Termination Time, in respect of any liability based on any act, omission, transaction, dealing or other occurrence relating to or arising out of the CCAA proceedings.

5.13 The Approval Order authorizes the Monitor to assign ExcludedCo into bankruptcy and A&M to act as trustee in bankruptcy in respect of ExcludedCo. The Approval Order provides that, upon the filing of the bankruptcy assignment, the CCAA Proceedings shall be terminated without any act or formality (the "**CCAA Termination Time**") and A&M

shall be discharged as Monitor effective as of the CCAA Termination Time. Notwithstanding its discharge as Monitor, A&M shall in its capacity as Monitor have the authority to address any matters that are ancillary or incidental to the CCAA Proceedings following the CCAA Termination Time and shall retain the benefit of all rights, approvals and protections in favour of the Monitor at law or pursuant to the CCAA, the Initial Order and all other Orders in the CCAA Proceedings.

Monitor's Observations and Views with respect to the SISP and the Transaction

5.14 The Monitor makes the following observations and expresses the following views with respect to the SISP and the Transaction:

(i) the SISP was conducted in accordance with the process approved by this Court pursuant to the SISP Order. No Going Concern Proposals other than the Purchase Agreement were submitted in the SISP. The extension of the deadline for the submission of the duly executed Purchase Agreement was approved by the Monitor and the DIP Lender and was reasonable and appropriate in the circumstances given the additional time needed to finalize consensual lease amendments under the Rent Restructuring Plan;

(ii) as contemplated under the SISP, good faith efforts were made to identify potential sale or investment transactions with third party bidders that were not related to the Comark Entities. However, no Going Concern Proposals were received from third parties;

(iii) the Transaction is expected to provide a far superior overall economic outcome than the two Liquidation Proposals received under the SISP. In a liquidation scenario, the Vendor Secured Debt would not be expected to be repaid in full and there would be no recovery for unsecured creditors. The Transaction is also far superior to a liquidation outcome given that it will result in continued operations at approximately 90% percent of the retail stores operated by the Comark Entities at the outset of the CCAA proceedings, preserve approximately 2,250 jobs across Canada, and maintain supplier and customer relationships;

(iv) in the Monitor's view, the Transaction is more beneficial to creditors than a liquidation under the CCAA or a sale or disposition under bankruptcy;

(v) the Purchase Consideration under the Purchase Agreement includes a credit bid of the Vendor Secured Debt owing from the Comark Entities to ParentCo. As described in the Pre-Filing Report, the Monitor's counsel has undertaken a review of the security granted by each of the Applicants in respect of the Vendor Facility and the Vendor Note (each as defined in the Purchase Agreement), in the principal amounts of $22.4 million and $3 million, respectively, and concluded that the security constitutes valid and enforceable security and creates a valid security interest, registered in all applicable Canadian provinces provided for under applicable law;

(vi) the Monitor notes that the Transaction is the result of consensual amendments to a significant majority of the Applicants' retail store leases achieved through negotiations during the CCAA Proceedings pursuant to the Rent Restructuring

Plan. Accordingly, the Transaction has strong support from the Applicants' landlords;

(vii) CIBC, in its capacity as DIP Lender and senior secured creditor of the Applicants, supports the Transaction;

(viii) given the results of the SISP, the industry challenges facing apparel retailers, and the significant uncertainty in respect of industry and general economic conditions caused by the COVID-19 pandemic, the Monitor believes that the consideration to be received under the Transaction is fair and reasonable; and

(ix) the Monitor understands that the Transaction has been structured with a view to preserving the corporate tax attributes of the Comark Entities and to completing the sale and restructuring of the Comark Entities on an expedited basis having regard to their liquidity and business imperatives. The Monitor understands that the "reverse vesting" structure of the proposed Transaction has been used to implement successful restructurings previously and in a number of recent CCAA proceedings, including those of Plasco Energy, Stornoway Diamond and Wayland Group. Based on discussions with the Applicants and its review of the Transaction, the Monitor does not believe that any stakeholder is materially prejudiced by the proposed transaction structure relative to any available alternatives.

5.15 Accordingly, the Monitor supports the approval of the Transaction and the granting of the Approval Order.

6.0 CASH FLOW RESULTS RELATIVE TO FORECAST

6.1 Receipts and disbursements for the five-week period May 31, 2020 to July 4, 2020 (the "**Reporting Period**"), as compared to the cash flow forecast that was attached as Appendix "B" to the Pre-Filing Report (the "**Cash Flow Forecast**"), are summarized in the table below.

Cash Flow Variance Report
Cumulative Five-Week Period Ended July 4, 2020
000s CAD

	Actual	Budget	Variance
Receipts	**$ 15,822**	**$ 10,089**	**$ 5,733**
Disbursements			
Merchandise Vendors	(1,610)	(4,908)	3,298
Non-Merchandise Vendors	(1,640)	(4,386)	2,746
Payroll	(2,170)	(3,892)	1,722
Rent and Utilities	(6,192)	(3,403)	(2,789)
GST/HST Remittance	1,586	-	1,586
Interest (Revolver and Term)	(92)	(131)	38
Restructuring Professional Fees	(1,672)	(1,400)	(272)
Total Disbursements	**(11,790)**	**(18,119)**	**6,329**
Net Cash Flow	**4,031**	**(8,031)**	**12,062**
Opening Cash Balance	**5,319**	**5,319**	**-**
Net Cash Flow	**4,031**	**(8,031)**	**12,062**
Illustrative DIP Draw	**-**	**4,000**	**(4,000)**
Fx (Gain) / Loss	**(7)**	**-**	**(7)**
Closing Cash Balance	**9,344**	**1,288**	**8,055**

6.2 During the Reporting Period, the Comark Entities' total receipts were approximately $5.7 million greater than projected in the Cash Flow Forecast. The net positive variance is primarily due to a combination of higher than forecast sales (both stores and e-commerce), lower than forecast sales returns, and earlier store re-openings than were anticipated at the time the Cash Flow Forecast was prepared.

6.3 During the Reporting Period, the Comark Entities' total disbursements were approximately $6.3 million less than projected in the Cash Flow Forecast. The net positive variance is primarily attributable to:

(i) timing variances due to the fact that the Applicants were not permitted to make certain merchandise-related payments as a result of a requirement in the DIP Term Sheet that the Borrowers (as defined in the DIP Term Sheet) not purchase or otherwise acquire any additional merchandise inventory prior to June 25, 2020, which date was subsequently extended by agreement among the Applicants, DIP Lender and Monitor to July 7, 2020 to coincide with the signing of the Purchase Agreement;

(ii) timing variances in payments to non-merchandise vendors that are expected to reverse, particularly once the Applicants' begin to purchase additional inventory;

(iii) lower than forecast payroll as the Applicants continue to re-hire staff at re-opening stores but at lower than projected levels due to reduced operating hours and lower customer traffic in many locations; and

(iv) certain tax refunds that were forecast to be received in Week 7 of the Cash Flow Forecast were received earlier in Week 2.

6.4 During the Reporting Period, rents for the period commencing June 1, 2020 were paid for all stores that were lawfully entitled to be opened as at the Filing Date. A pro-rated amount was paid based on provincial re-opening dates for those stores that were lawfully entitled to re-open subsequent to the Filing Date. The earlier than anticipated re-opening of some stores resulted in a negative cash flow variance of approximately \$647,000. In addition, on July 1, 2020, rents for the first half of July were paid based on existing/unamended lease terms, whereas forecast rents in the Cash Flow Forecast were based on anticipated lease amendments. On a combined basis, the above two items resulted in a negative variance of approximately \$2.8 million for the Rent and Utilities line item.

6.5 In addition, the Cash Flow Forecast did not forecast any rent payments being made in respect of stores that were not lawfully entitled to be open ("**Closed Stores**") for the period in which they were Closed Stores (as noted above, the earlier than anticipated re-opening of some stores in June 2020 resulted in a negative cash flow variance of approximately \$647,000). As a result of the modifications to the Amended and Restated Initial Order to provide for the payment of rent in respect of Closed Stores, the Applicants' projected rent expense for June 2020 would have increased by approximately \$1.5 million. However, the potential negative cash flow impact of this change to the Amended and Restated Initial Order was mitigated through a negotiated resolution between the Applicants and their largest landlords under which such landlords agreed not to contest, until at least July 1, 2020, the non-payment of rent in respect of the Closed Stores (as described more fully at Section 6 of the Second Report). The Monitor understands that this issue has been permanently resolved in respect of substantially all of the Closed Stores in connection with negotiated amendments to the underlying leases under the Rent Restructuring Plan.

6.6 Overall, during the Reporting Period, the Comark Entities experienced a positive net cash flow variance of approximately \$12.1 million relative to the Cash Flow Forecast. However, it is anticipated that portions of this net variance will significantly decline as the CCAA Proceedings continue to progress and delayed disbursements to merchandise and non-merchandise vendors are made (and the timing variance related to the tax refunds ultimately reverses out). No draws were required to be made on the DIP Facility during the Reporting Period and there are currently no draws projected under the DIP Facility re-forecast through the week ending September 19, 2020. Provided the Approval Order is granted, the Transaction is expected to close before the August 7, 2020 Outside Date under the Purchase Agreement.

6.7 The closing cash balance as at July 4, 2020 was approximately $9.3 million, as compared to the projected cash balance of $1.3 million.

6.8 The Initial Order entitles the Applicants to continue to utilize their existing Cash Management System, as described in the Pre-Filing Report. The Applicants' Cash Management System continues to operate in the same manner as it had prior to the commencement of the CCAA Proceedings.

7.0 ACTIVITIES OF THE MONITOR

7.1 Since the date of the First Report (June 10, 2020), the primary activities of the Monitor have included the following:

(i) together with senior management of the Applicants: (a) continuing to participate in teleconferences with property managers and landlords to present an overview of the Comark Entities' 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; and (b) responding to questions and following-up with property managers and landlords to finalize letter agreements giving effect to the lease amendments;

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

(iii) continuing the marketing process pursuant to the SISP, culminating in the Purchase Agreement;

(iv) preparing for and attending by videoconference the comeback hearing held on June 12, 2020;

(v) monitoring the Applicants' cash receipts and disbursements, and assisting in preparing weekly cash flow variance and other reporting required under the DIP Term Sheet;

(vi) maintaining regular contact with CIBC and its advisors regarding the SISP, weekly DIP reporting and other matters;

(vii) reviewing and commenting on the Purchase Agreement and the Approval Order;

(viii) coordinating the uploading of Court-filed documents to the Case Website;

(ix) responding to creditor and other inquiries received via the Monitor's toll-free number or email account for the CCAA Proceedings and other contact points; and

(x) with the assistance of its legal counsel, preparing this Second Report.

8.0 CONCLUSIONS AND RECOMMENDATIONS

8.1 For the reasons set out in this Report, the Monitor respectfully recommends that the Court approve the Transaction and grant the Approval Order in the form sought by the Applicants.

All of which is respectfully submitted to the Court this 8th day of July, 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
FIRST REPORT OF THE MONITOR

See attached.

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

TABLE OF CONTENTS

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.

<table>
<tr><td>Conditions to the Incremental Commitment</td><td>• 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.</td></tr>
<tr><td>Interest, Fees and Costs</td><td>• 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.</td></tr>
<tr><td>Termination Date</td><td>• 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.</td></tr>
<tr><td>Covenants of the Applicants</td><td>• 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</td></tr>
</table>

	(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.

<u>Priority of Charges Created by the Amended and Restated Initial Order</u>

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: ______________________	Per: ______________________
Douglas R. McIntosh President	Alan J. Hutchens Senior Vice-President

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

SECOND 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