

This is the 9th affidavit of
D. Gumprich in this case and was
made on October 5, 2012

No. S-117081
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c. C-44

AND

IN THE MATTER OF STERLING SHOES INC. and STERLING SHOES GP INC.

PETITIONERS

AFFIDAVIT

I, **Daniel Gumprich**, Chartered Accountant and Chartered Business Valuator, of 2580 Viscount Way, Richmond, British Columbia, AFFIRM THAT:

1. I am the Chief Financial Officer of the Petitioners in this proceeding and as such I have personal knowledge of the matters deposed to in this Affidavit except where I depose to a matter based on information from an informant I identify, in which case I believe that both the information from the informant and the resulting statement are true.
2. I am authorized to make this affidavit on behalf of the Petitioners and Sterling Shoes Limited Partnership (together with the Petitioners, the "**Company**").

3. The Company has undertaken a number of important steps since the date of the Initial Order, made October 21, 2011 (as amended) (the “**Initial Order**”) and since the most recent Order of this Court approving an extension of a stay of proceedings on June 14, 2012, including:

- (a) executing and closing an asset purchase agreement among the Petitioners, Town Shoes Limited (“**Town Shoes**”) and Alvarez & Marsal Canada Inc. (the “**Monitor**”), dated April 16, 2012, and approved by Order of the Court dated April 30, 2012, for the sale of certain of the Company’s assets (the “**Purchase Agreement**”);
- (b) executing an agency agreement between Sterling Shoes Limited Partnership and Great American Group LLC (the “**Agent**”), dated May 3, 2012 (the “**Agency Agreement**”);
- (c) completing liquidation sales at the Company’s remaining 36 retail locations (the “**Liquidation Sale**”), which were not subject to the Purchase Agreement;
- (d) paying out in full the Company’s primary secured creditor, the Bank of Montreal; and
- (e) seeking to resolve, with the assistance of the Monitor, numerous outstanding disputes under the claims process, approved by Order of the Court dated April 2, 2012 (the “**Claims Process Order**”), which is outlined in further detail below.

Claims Process Order

4. The following is a summary of the key events related to the claims process:

- (a) 634 Proofs of Claims have been submitted by the Company’s creditors (the “**Claims**”);
- (b) 223 Notices of Disallowance or Revision have been issued to creditors; and
- (c) 58 Notices of Dispute have been filed by the creditors with the Company.

5. As outlined in my Affidavit #7, dated June 7, 2012, a number of the Claims were disallowed on the basis that they contained insufficient information to substantiate the value of the Claims. Since the most recent Court Order, further Claims have been disallowed on similar grounds.

6. Notices of Disallowance were issued for a number of Claims where additional information is required to assess the reasonableness of those Claims. In other cases, Notices of Revision were issued setting out the revised amount the Company is prepared to accept for each particular Claim. In either case, creditors were notified of their right to file a Notice of Dispute.

7. As outlined above, 58 Notices of Dispute have been filed, all of which have been reviewed by the Company, with the assistance of the Monitor. Of these, 43 relate to Claims filed by landlords in respect of the disclaimer of leasing agreements (the “**Landlord Disputes**”). The overwhelming majority of the Landlord Disputes resulted from the submission of Claims claiming amounts equal to the outstanding terms of the leases. A number of the leases had several years remaining under the leases.

8. The Company, with the assistance of the Monitor, has analyzed the Landlord Disputes and is in the process of trying to reach resolutions with the landlords.

9. The remaining Notices of Dispute relate to claims filed by former employees of the Company (the “**Employee Disputes**”). The Company, with the assistance of the Monitor, is currently seeking to resolve the Employee Disputes.

10. While the Company is hopeful that all of the outstanding Employee Disputes can be resolved through further negotiations, it is presently expected that it will not be possible to resolve some of the Landlord Disputes in the same manner and it will be necessary to appoint a Claims Officer, as contemplated by the Claims Process Order. Given the Monitor’s familiarity with the Landlord Disputes, in order to expedite the process and reduce costs, the Company anticipates appointing the Monitor as the Claims Officer.

Reconciliations under the Purchase Agreement & Agency Agreement

11. Pursuant to the terms of the Purchase Agreement and the Agency Agreement (together, the “**Agreements**”), the Company is required to complete an accounting reconciliation with Town Shoes and the Agent following the completion of each Agreement within a prescribed period of time. The Agreements outlined a dispute resolution process if the parties disagreed with the final reconciliation.

12. The Company has completed the reconciliation for the Agency Agreement and is in the process of finalizing the reconciliation for the Purchase Agreement (the “**Purchase Agreement Reconciliation**”).

Wind Down

13. The Company has disclaimed its last two leases, being leases in respect of the head office and warehouse space in Richmond, BC.

14. All employees of the Company, except me, have been terminated.

General

15. Since the date of the Initial Order, the Company has met its post-filing obligations to creditors and suppliers when due and has met its obligations to current employees in the normal course. In particular, the Company has paid its statutory remittances for employees and continues to make any required payments in accordance with the terms of the Initial Order.

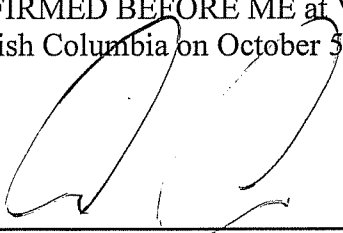
16. The Company requires additional time and an extension of the stay in order to, among other things:

- (a) deal with the remaining issues under the Claims Process Order, and in particular the Landlord Disputes and the Employee Disputes;
- (b) finalize the Purchase Agreement Reconciliation;
- (c) attend to the distribution of proceeds from the Purchase Agreement and the Liquidation Sale; and

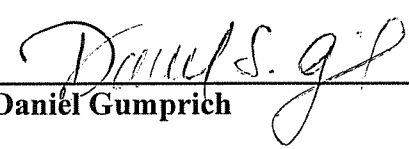
(d) deal with ancillary matters related to the wind down of the estate.

17. The Company continues to work diligently and in good faith for the benefit of its stakeholders, and based on the foregoing information I believe that an extension to the stay is warranted.

AFFIRMED BEFORE ME at Vancouver,
British Columbia on October 5, 2012.



A Commissioner for taking Affidavits for
British Columbia



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