

**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.**

JANUARY 16, 2025

TABLE OF CONTENTS

1.0	INTRODUCTION.....	1
2.0	PURPOSE OF THIS REPORT	3
3.0	TERMS OF REFERENCE AND DISCLAIMER	4
4.0	REALIZATION PROCESS APPROVAL ORDER.....	6
5.0	DIP FACILITY	12
6.0	UPDATED CASH FLOW FORECAST	17
7.0	AMENDED AND RESTATED INITIAL ORDER	18
8.0	ACTIVITIES OF THE MONITOR SINCE THE FILING DATE	28
9.0	CONCLUSIONS AND RECOMMENDATIONS.....	30

APPENDICES

Appendix “A”– Pre-Filing Report of the Proposed Monitor

Appendix “B”– Updated Cash Flow Forecast for the Period Ending May 17, 2025

1.0 INTRODUCTION

- 1.1 On January 7, 2025 (the “**Filing Date**”), Comark Holdings Inc. (“**Comark**”), Ricki’s Fashions Inc. (“**Ricki’s**”), cleo fashions Inc. (“**cleo**”) and Bootlegger Clothing Inc. (“**Bootlegger**”) (collectively, the “**Applicants**” or the “**Comark Group**”) applied for and were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an initial order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The proceedings commenced by the Applicants under the CCAA are hereinafter referred to as the “**CCAA Proceedings**”. The Initial Order appointed Alvarez & Marsal Canada Inc. (“**A&M**”) as monitor of the Applicants in the CCAA Proceedings (the “**Monitor**”).
- 1.2 The Applicants consist of Comark, a privately-held corporation, and its three direct subsidiaries: Ricki’s, cleo, and Bootlegger (together, the “**Retail Entities**”). The Retail Entities are large Canadian specialty apparel retailers with a nationally recognized portfolio of banners and exclusive private labels. All of the Applicants are corporations governed by the *Canada Business Corporations Act*. 9383921 Canada Inc. (“**ParentCo**”) owns 100% of the shares of Comark and is not an Applicant in these CCAA Proceedings.
- 1.3 Background information regarding the Comark Group and its business and financial circumstances is set out in the Affidavit of Shamsh Kassam sworn on January 6, 2025 (the “**First Kassam Affidavit**”) and the Pre-Filing Report dated January 6, 2025 (the “**Pre-Filing Report**”) filed by A&M, in its capacity as proposed monitor, in connection with the commencement of the CCAA Proceedings. The First Kassam Affidavit, the Pre-Filing Report and other Court-filed documents in the CCAA Proceedings are available on the

Monitor's case website at: <https://www.alvarezandmarsal.com/ComarkRetail> (the "**Case Website**"). A copy of the Pre-Filing Report is attached hereto as **Appendix "A"**.

1.4 The Initial Order granted by the Court on January 7, 2025, among other things:

- (a) appointed A&M as Monitor in these CCAA Proceedings;
- (b) granted a stay of proceedings in favour of the Applicants and their directors and officers up to and including January 17, 2025 (the "**Initial Stay Period**");
- (c) authorized Comark to continue to borrow from its senior secured lender, the Canadian Imperial Bank of Commerce ("**CIBC**"), under the Existing Credit Facilities (as defined in the Initial Order), and granted CIBC (in such capacity, the "**Interim Lender**") a priority charge over the Applicants' Property (the "**Interim Lender's Charge**") to secure the funding advanced by the Interim Lender from and after the Filing Date (the "**Interim Borrowings**"); and
- (d) in addition to the Interim Lender's Charge, granted an Administration Charge and a Directors' Charge (each as defined in the Initial Order) over the Property, in the following order of priority:
 - (i) the Administration Charge in the maximum amount of \$750,000;
 - (ii) the Interim Lender's Charge, on a *pari passu* basis with the security granted by the Applicants in respect of the pre-filing obligations under the CIBC Credit Facilities (the "**CIBC Security**"); and
 - (iii) the Directors' Charge in the maximum amount of \$6.2 million.

2.0 PURPOSE OF THIS REPORT

2.1 The purpose of this First Report is to provide the Court with information, and where applicable, the Monitor's views on:

- (a) the Applicants' motion for an order (the "**Realization Process Approval Order**"), among other things, approving the Consulting Agreement (defined below) and authorizing the Applicants, with the assistance of Tiger Asset Solutions Canada, ULC (the "**Consultant**"), to conduct a sale (the "**Sale**") of the Applicants' merchandise (the "**Merchandise**") and furniture, fixtures and equipment ("**FF&E**") at the store locations listed at Exhibit "A-1" to the Consulting Agreement (as may be updated from time to time in accordance with the Consulting Agreement, the "**Liquidating Stores**") in accordance with the Realization Process Approval Order, the sale guidelines attached thereto (the "**Sale Guidelines**") and the Consulting Agreement;
- (b) the Applicants' proposed Amended and Restated Initial Order (the "**ARIO**"), which, among other things:
 - (i) extends the Stay up to and including May 15, 2025;
 - (ii) approves the DIP Term Sheet (as defined below) between the Applicants and CIBC (in such capacity, the "**DIP Lender**") and grants the DIP Lender a priority charge over the Applicants' Property (the "**DIP Lender's Charge**") as security for advances under the revolving credit facility governed by the DIP Term Sheet (the "**DIP Facility**");

- (iii) authorizes the Applicants, with the assistance of the Monitor and in consultation with the DIP Lender, to pursue offers for a potential restructuring, sale or reorganization transaction in respect of the business or assets of the Applicants (a “**Transaction**”);
 - (iv) increases the quantum of the Administration Charge to \$1 million and increases the quantum of the Directors’ Charge to \$7.4 million; and
 - (v) authorizes the Applicants and the Monitor, with the consent of the DIP Lender, to enter into and perform their obligations under agreements with foreign vendors (each a “**Merchandise Transfer Agreement**”) to facilitate the Applicants obtaining possession of certain in-transit inventory;
- (c) the activities of the Monitor since its appointment; and
- (d) the Monitor’s conclusions and recommendations in connection with the foregoing.

3.0 TERMS OF REFERENCE AND DISCLAIMER

3.1 In preparing this First Report, the Monitor has been provided with, and has relied upon, unaudited financial information, the books and records and other 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 First Report in respect of the Comark Group’s cash flow forecast:

- (a) 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

- (b) 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.

3.2 Future oriented financial information referred to in this First Report was prepared based on Comark Group management’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.

3.3 This First Report should be read in conjunction with the Pre-Filing Report and the Affidavit of Shamsh Kassam sworn January 16, 2025 (the “**Second Kassam Affidavit**”) and filed in support of the Applicants’ motion for the proposed ARIO and Realization Process Approval Order. Capitalized terms used and not defined in this First Report have the meanings given to them in the Pre-Filing Report or the Second Kassam Affidavit, as applicable.

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

4.0 REALIZATION PROCESS APPROVAL ORDER

- 4.1 Given their liquidity constraints and ongoing carrying costs, the Applicants are seeking approval to commence an orderly realization of their Merchandise and FF&E as soon as possible in order to maximize recoveries and reduce their operating costs, and to ensure that the Applicants can exit from the Liquidating Stores as soon as practicable.
- 4.2 Accordingly, the Applicants are seeking approval of a Realization Process Approval Order that, if granted, will approve the Consulting Agreement and authorize the Applicants, with the assistance of the Consultant, to undertake the Sale in accordance with the terms of the Realization Process Approval Order, the Consulting Agreement, and the Sale Guidelines.
- 4.3 If approved, the Sale would commence promptly following the granting of the Realization Process Approval Order and conclude by no later than April 27, 2025 (in accordance with the milestone in the DIP Term Sheet). It is contemplated that substantially all of the Applicants' retail stores would initially be included as Liquidating Stores under the Sale. However, in connection with ongoing efforts by the Applicants and the Monitor to identify value-maximizing opportunities for the Applicants' business and assets (as described below), the Applicants have the flexibility under the Consulting Agreement to remove retail stores from the Sale at any time on or before January 31, 2025 without notice or upon providing the Consultant with 14 days' written notice after January 31, 2025.

Consultant Solicitation Process

- 4.4 In accordance with the Initial Order, following the Filing Date, the Monitor, on behalf of the Comark Group, contacted two third-party liquidators (collectively, the “**Potential Liquidators**”) identified as having the requisite expertise, qualifications and capability to

implement a retail liquidation of the Comark Group's Merchandise and FF&E. The Potential Liquidators were requested to submit a proposal setting out the key terms of a consulting arrangement to the Monitor by no later than January 6, 2025.

- 4.5 In order to facilitate and assist the Potential Liquidators in conducting necessary due diligence to prepare and submit proposals: (a) the Monitor and the Comark Group established an electronic data room (the "**Data Room**"), which was populated with information relevant to the proposed realization, including detailed accounts of the Comark Group's inventory, operations and financial information; and (b) each of the Potential Liquidators was given the opportunity to request and receive further information.
- 4.6 Following the execution of a non-disclosure agreement, the Potential Liquidators were granted access to the Data Room and provided with additional requested information. Ultimately, each of the Potential Liquidators submitted a consulting fee proposal prior to the Proposal Deadline.
- 4.7 After reviewing the Potential Liquidators' proposals, the Comark Group, in consultation with its legal counsel, the Monitor and the Interim Lender, selected Tiger Asset Solutions Canada, ULC as the proposed Consultant to assist with the Sale. The Monitor is supportive of the engagement of the Consultant pursuant to the Consulting Agreement and is satisfied that: (a) the Consultant's services will assist the Comark Group in conducting an efficient and value-maximizing Sale; (b) the Consultant is qualified, experienced and capable of performing its obligations under the Consulting Agreement in accordance with the Sale Guidelines; and (c) the Consultant's proposed fee structure (described below) is reasonable and on market terms.

Proposed Consulting Agreement and Sale Guidelines¹

4.8 The Applicants (each, a “**Merchant**” and collectively, the “**Merchants**” under the Consulting Agreement) and the Consultant have entered into a Consulting Agreement dated as of January 14, 2025 (as may be amended from time to time in accordance with its terms, the “**Consulting Agreement**”). A copy of the Consulting Agreement is attached as Exhibit “F” to the Second Kassam Affidavit. The following is a summary of key terms of the Consulting Agreement and the proposed Sale Guidelines:

Summary of Terms of Consulting Agreement and Sale Guidelines	
Exclusive Consultant	<ul style="list-style-type: none">The Consultant will act as the exclusive consultant of the Merchants for the purpose of conducting the Sale.
Timing	<ul style="list-style-type: none">The Sale will commence on a date agreed to by the Merchants and the Consultant (the “Sale Commencement Date”).The Sale will end no later than 16 weeks following such Sale Commencement Date (the “Sale Termination Date”), provided, however, that the Consultant and the Merchants may, in consultation with the Monitor and the DIP Lender, mutually agree to extend the Sale Termination Date or terminate the Sale at any store location prior to the Sale Termination Date.
Sales	<ul style="list-style-type: none">The Sale will be conducted at the Liquidating Stores listed on Exhibit “A-1” to the Consulting Agreement (the “Store List”) during the period between the Sale Commencement Date and the Sale Termination Date (the “Sale Term”). At present, it is contemplated that all of the Applicants’ retail stores will initially be included on the Store List and therefore be Liquidating Stores. The Merchants may, in their discretion, (a) at any time or on prior to January 31, 2025, or (b) at any time after January 31, 2025 upon giving no less than 14 days’ written notice, provide a revised Store List to the Consultant. Any store location that is removed from the Store List shall no longer constitute a Liquidating Store for purposes of the Sale, and no further Sale of Merchandise or FF&E at such location shall be undertaken pursuant to the Consulting Agreement.The Consultant shall also undertake to sell, on an “as is, where is” basis, the FF&E located at the Liquidating Stores. The Consultant shall have the right to abandon at the Liquidating Stores any unsold FF&E on the expiry of the Sale Term.All sales will be “final sales”, with no returns or exchanges permitted. Gift cards will not be accepted.

¹ Capitalized terms used in this section of this First Report and not otherwise defined herein having the meanings ascribed to them in the Consulting Agreement or the Sale Guidelines, as applicable.

Summary of Terms of Consulting Agreement and Sale Guidelines	
Consultant Fees & Expenses	<ul style="list-style-type: none"> The Consultant will earn a fee equal to 2% of the gross proceeds from the sale of Merchandise during the Sale Term (excluding sales taxes) (the “Merchandise Fee”). The Consultant will earn a commission equal to 15% of the gross proceeds from the sale of FF&E (excluding sales taxes) (the “FF&E Fee”). The Consulting Agreement does not contemplate a “net-minimum guarantee” or other floor recovery for the Merchants. The Merchants shall be responsible for all expenses of the Sale, including store operating expenses and the Consultant’s reasonable and documented out-of-pocket expenses (the “Sale Costs”) pursuant to an approved budget (the “Expense Budget”) not to exceed \$3,842,223 without the consent of the Merchants (in consultation with the Monitor) and the DIP Lender. The Expense Budget is included as Exhibit “C” to the Consulting Agreement. The Merchants shall fund the Consultant \$475,000 (the “Special Purpose Payment”) to be held by the Consultant on account for any final amounts owing to the Consultant until the parties complete a final reconciliation and settlement of all amounts payable pursuant to the Agreement. If the Realization Process Approval Order is not granted on or before January 17, 2025, the Consultant shall be entitled to apply the Special Purpose Payment to the payment of any Sale Costs incurred on or before such date. Any unused portion of the Special Purpose Payment will be refunded to the Merchants.
Services Provided By Consultant	<ul style="list-style-type: none"> The Consultant will provide qualified supervisors to oversee the management of the Liquidating Stores and the Sale. The Consultant will recommend appropriate point-of-sale and external advertising, discounts, and staffing levels, oversee the display of Merchandise, and assist the Merchants in connection with managing and controlling loss prevention and employee relation matters. The Consultant will provide other related services deemed necessary or appropriate by the Merchant and the Consultant, in consultation with the Monitor and the DIP Lender.
Sale Guidelines	<ul style="list-style-type: none"> The Consulting Agreement is subject to the Sale Guidelines, which are attached as Exhibit “B” to the Consulting Agreement. The Sale Guidelines provide, among other things, that: <ul style="list-style-type: none"> (a) except as otherwise set out in the Consulting Agreement or any Court Order, the Sale Guidelines or any subsequent written agreement between the Merchants and the applicable Landlord(s), the Sale will be conducted in accordance with the terms of the applicable Leases; (b) the Sale will be conducted so that each Store remains open during its normal hours of operation provided for in the applicable Lease, until the earlier of (i) the applicable Sale Termination Date; and (ii) the date on which such Lease is disclaimed in accordance with the ARIO and CCAA or otherwise consensually terminated by the applicable Merchant(s) and landlord. The Sale Termination Date shall be no later than April 30, 2025; (c) all display and hanging signs used in connection with the Sale will be professionally produced and hung in a professional manner. The Consultant may advertise the Sale at the Stores as an “everything on sale”, “everything must go”, “store closing” and/or similar theme; (d) the Consultant shall be entitled to include additional merchandise in the Sale; provided that: (i) the additional merchandise is owned by a Merchant, is currently in the possession of, or in the control of, a Merchant (including in any Warehouse used by a Merchant), or is ordered from an existing supplier in respect of the Merchant’s existing SKUs by or on behalf of a Merchant, including merchandise currently in transit to a Merchant (including

Summary of Terms of Consulting Agreement and Sale Guidelines	
	<p>any Warehouse used by a Merchant) or a Store; and (ii) the additional merchandise is of the type and quality typically sold in the Stores and is consistent with any restriction on the usage of the Stores as set out in the applicable Leases.</p> <p>(e) the purchasers of FF&E will only be permitted to remove FF&E through the back shipping areas designated by the Landlord or through other areas after regular store business hours or through the front door during regular store business hours if the FF&E can fit in a shopping bag, with the applicable Landlord's supervision as required by the applicable Lease; and</p> <p>(f) at the conclusion of the Sale and FF&E Removal Period in each Store, the Consultant will arrange that the premises are in "broom-swept" and clean condition. Any FF&E or personal property left in a Store after the applicable FF&E Removal Period, in respect of which the applicable Lease has been disclaimed by the Merchant, shall be deemed abandoned.</p>

4.9 Since the commencement of the CCAA Proceedings, the Applicants and the Monitor have consulted with counsel to certain landlords, who collectively lease approximately 100 of the Applicants' retail stores, with respect to the CCAA Proceedings and the Applicants' proposed realization process. The Applicants have provided the landlords' counsel with drafts of the ARIO, Sale Guidelines and Realization Process Approval Order and updated those documents to reflect landlord feedback. The Applicants have also provided such counsel with copies of the proposed signage package to be used by the Consultant.

4.10 The Monitor recommends that the Court grant the proposed Realization Process Approval Order, among other things, approving the Consulting Agreement and the Sale Guidelines, given that, among other things:

- (a) given the large number of stores operated by the Applicants and the complexities of conducting a large-scale store closing process, the services of an experienced liquidation consultant are necessary to undertake a liquidation process that maximizes the value of the Applicants' inventory in an efficient and cost-effective manner;

- (b) the process to select the Consultant, while expedited, was competitive in nature and was appropriate in the circumstances of this case;
- (c) as described in the Second Kassam Affidavit, the Consultant has extensive experience in conducting retail liquidations in Canada and has in-depth knowledge of the Applicants' business, merchandise and store operations having recently conducted an appraisal of the Applicants' inventory on behalf of CIBC. The Consultant is available to commence the Sale promptly following the granting of the Realization Process Approval Order, which is necessary in light of the Applicants' liquidity position and the requirements of the DIP Term Sheet;
- (d) the fee structure contained in the Consulting Agreement incentivizes the Consultant to maximize the value of the Applicants' Merchandise and FF&E for the benefit of stakeholders, and the quantum of the Merchandise Fee and FF&E Fee are reasonable and consistent with fees charged by liquidation consultants in similar situations;
- (e) CIBC, who is the Applicants' senior secured lender and is funding the realization process through the DIP Facility, was consulted throughout the solicitation process and supports the engagement of the Consultant and the terms of the Consulting Agreement;
- (f) the Consulting Agreement and the Sale Guidelines account for the interests of the Comark Group's landlords in a manner consistent with similar arrangements previously approved by the Court in CCAA retail liquidations; and

- (g) the Consulting Agreement provides the Applicants with the ability to add or remove stores from the list of Liquidating Stores at any time or on prior to January 31, 2025, and upon 14 days' notice following January 31, 2025, thereby providing the Applicants with the flexibility to concurrently pursue other value-maximizing transactions in respect of the Applicants' business and assets during the CCAA Proceedings, with the support of the DIP Lender.

5.0 DIP FACILITY

- 5.1 CIBC is the main operating lender to the Applicants. As of Filing Date, the Applicants owed approximately \$32.8 million to CIBC under the CIBC Credit Facilities, including approximately \$24.1 million owing under the CIBC Revolving Loan Facility. Since the Filing Date, the Applicants have drawn Interim Borrowings of \$3.72 million to fund disbursements, and have collected approximately \$9.0 million in receipts, resulting in a net positive cash flow of approximately \$5.3 million.
- 5.2 To provide the Applicants with sufficient liquidity to operate during the Initial Stay Period pending the negotiation and finalization of the DIP Facility, the Initial Order authorized Comark to make Interim Borrowings under the CIBC Revolving Loan Facility and granted the Interim Lender's Charge over the Applicants' Property to secure the payment of the Interim Borrowings. Pursuant to the Initial Order, the Interim Borrowings mature on January 17, 2025.
- 5.3 Following the granting of the Initial Order, the Applicants and CIBC, with the oversight of the Monitor, reached agreement on the terms of debtor-in-possession ("**DIP**") financing that will provide funding needed by the Applicants to repay any outstanding Interim

Borrowings and to fund their operations and restructuring efforts during the CCAA Proceedings. Subject to Court approval, the DIP Facility is to be governed pursuant to a DIP Financing Term Sheet dated as of January 15, 2025 (the “**DIP Term Sheet**”) among the Applicants, ParentCo and CIBC (in its capacity as DIP Lender), a copy of which is appended as Exhibit “G” to the Second Kassam Affidavit.

5.4 The DIP Facility is described in further detail in the Second Kassam Affidavit. Key terms and components of the DIP Facility include the following:

<u>DIP Facility</u> (Capitalized terms have the meanings ascribed thereto the DIP Term Sheet or the Pre-Filing Report, as applicable)	
Borrower	<ul style="list-style-type: none"> Comark Holdings Inc.
Guarantors	<ul style="list-style-type: none"> cleo fashions Inc., Ricki’s Fashions Inc., Bootlegger Clothing Inc. (together with the Borrower, the “DIP Parties”) and ParentCo
DIP Lender	<ul style="list-style-type: none"> CIBC
DIP Facility	<ul style="list-style-type: none"> A senior secured, super priority, debtor-in-possession, revolving credit facility up to a maximum principal amount of \$18 million. Advances can be made in Canadian or US dollars.
DIP Lender’s Charge	<ul style="list-style-type: none"> The obligations under the DIP Facility are to be secured by the DIP Lender’s Charge over the Collateral, subject only to the Administration Charge and other Permitted Priority Liens.
Interest	<ul style="list-style-type: none"> 10% per annum for advances made in Canadian dollars or U.S. dollars, plus 2.0% per annum upon the occurrence and during the continuation of an Event of Default.
Commitment Fee	<ul style="list-style-type: none"> Commitment Fee in the aggregate amount of \$270,000 payable in two installments of: (i) \$45,000 payable from the First Advance; and (ii) \$225,000 payable on May 2, 2025.
Maturity Date	<ul style="list-style-type: none"> The earlier of: (i) the occurrence of any Event of Default (other than an Existing Event of Default); (ii) the implementation of any CCAA plan of compromise and arrangement; (iii) closing of one or more sale, lease or other type of transfer transactions of any nature or kind in respect of all or substantially all of the Property of all of the Guarantors (other than ParentCo) outside the ordinary course of business; and (iv) May 30, 2025.
Material Conditions Precedent to Advances	<ul style="list-style-type: none"> Court approval of the ARIO, including the DIP Lender’s Charge, by no later than January 17, 2025. The aggregate principal obligations outstanding under the DIP Facility and the CIBC Revolving Loan Facility shall not exceed (i) the Borrowing Base; or (ii) \$24 million.

DIP Facility (Capitalized terms have the meanings ascribed thereto the DIP Term Sheet or the Pre-Filing Report, as applicable)	
	<ul style="list-style-type: none"> The DIP Lender shall have received the Guarantee Amendment Documents from ParentCo, pursuant to which the Pledged Collateral shall secure the DIP Financing Obligations and all obligations under the CIBC Revolving Loan Facility and the CIBC Term Loan Facility. Beginning the week commencing on January 19, 2025: (i) for the period commencing January 12, 2025 and ending the week prior to such DIP Advance Request, the Actual Cumulative Receipts shall be equal to or greater than the Minimum Cumulative Receipts for such week; and (ii) the Actual Cumulative Disbursements for the period commencing January 12, 2025 and ending the week prior to such DIP Advance Request shall be equal to or less than the Maximum Cumulative Disbursements.
Permitted Payments	<ul style="list-style-type: none"> Except to pay (i) the Interim Borrowing Obligations; (ii) obligations under the CIBC Credit Agreement as provided for in the DIP Term Sheet; (iii) amounts in respect of accrued and unpaid vacation pay up to a maximum amount of \$140,500 as provided in the DIP Budget; and (iv) amounts consented to in writing by the DIP Lender, the DIP Parties may not use the proceeds of the DIP Facility to pay any Pre-Filing Obligations unless the DIP Lender has provided its prior written consent. Unless and until all obligations under the DIP Facility and the CIBC Credit Facilities are repaid in full, no payments of (i) Sales Taxes, or (ii) vacation pay in excess of \$140,500, in each case accrued prior to the Filing Date, are permitted to be paid by the DIP Parties without the prior written consent of the DIP Lender. The DIP Parties shall not make any payments or expenditures other than in accordance with the DIP Budget or otherwise with the prior written consent of the DIP Lender.
Mandatory Prepayments	<ul style="list-style-type: none"> The DIP Parties shall use all proceeds received by the DIP Parties from time to time, less the sum of \$100,000, to indefeasibly repay the following obligations in the following order: (i) first, the Obligations in respect of the CIBC Revolving Loan Facility (including the Interim Borrowings Obligations), (ii) second, the DIP Financing Obligations, (iii) third, the Obligations in respect of the CIBC Term Loan Facility, and (iv) fourth, the Obligations in respect of the BCAP Loan Facility.
Milestones	<ul style="list-style-type: none"> The DIP Parties shall use reasonable commercial efforts to achieve the Milestones, including, among others: <ul style="list-style-type: none"> January 17, 2025: Issuance of the ARIO January 18, 2025: Commencement of the Realization Process March 1, 2025: Repayment of all Obligations under the CIBC Revolving Loan Facility (including Interim Borrowings) April 27, 2025: Completion of the Realization Process

5.5 The Monitor notes that the DIP Facility is structured as a “creeping roll-up”, under which all cash, receipts and other proceeds received by the Applicants will be deposited with or transferred to the DIP Lender for repayment of the Applicants’ obligations to CIBC, in the following order: (a) first, the obligations under the CIBC Revolving Loan Facility,

including the Interim Borrowings, until repaid in full; (b) second, the obligations under the DIP Facility until repaid in full; (c) third, the pre-filing obligations under the CIBC Term Loan Facility until repaid in full; and (d) fourth, the pre-filing obligations under the BCAP Loan Facility. As a result of the creeping roll-up structure, the obligations under the DIP Facility will initially increase as proceeds generated from the Sale are used to repay the CIBC Revolving Loan Facility and new funding is advanced under the DIP Facility to enable the Applicants to make expenditures in accordance with the DIP Budget. The paydown of the obligations under the DIP Facility will commence once the CIBC Revolving Loan Facility has been repaid in full.

5.6 The Monitor supports approval of the DIP Facility for the following reasons:

- (a) the Applicants require DIP financing to fund their business operations and the costs of these CCAA Proceedings;
- (b) CIBC is the only realistic and practical provider of DIP financing given the urgency of the situation, the extent of the current secured obligations to CIBC, and the Applicants' current financial circumstances. There is no practical prospect of the Applicants obtaining DIP financing from another party on terms acceptable to CIBC;
- (c) the DIP Term Sheet is the result of arm's length negotiations between the Applicants and CIBC and their respective advisors, with the oversight of the Monitor and its legal counsel;

- (d) while: (i) access to funding under the DIP Facility is subject to the Applicants' compliance with a stringent DIP Budget and borrowing base; and (ii) the terms of the DIP Term Sheet restrict the Applicants' ability to make expenditures unless such expenditures are reflected in the DIP Budget (over which the DIP Lender has approval rights) or consented to in writing by the DIP Lender, the DIP Facility is structured to provide the Applicants with necessary liquidity to fund their post-filing obligations while they seek to maximize the value of their business and assets through the Sale or other transactions consented to by the DIP Lender;
- (e) the interest (calculated at a rate of 10% per annum) and commitment fee (\$270,000 payable in two instalments) to be received by the DIP Lender under the DIP Term Sheet are reasonable having regard to the Applicants' circumstances and the economic terms of DIP financing approved in other CCAA restructurings;
- (f) CIBC is the Applicants' senior secured creditor and the Monitor has completed a review of the CIBC Security, as more fully described in the Pre-Filing Report. Accordingly, the creeping roll-up structure of the DIP Facility is not prejudicial to other creditors of the Applicants; and
- (g) the DIP Facility brings stability to the situation, is necessary to enable the Applicants to maximize the value of their business and assets in an orderly manner and is therefore in the best interests of the Applicants' creditors and stakeholders.

6.0 UPDATED CASH FLOW FORECAST

6.1 The Applicants, with the assistance of the Monitor, prepared an updated cash flow forecast (the “**Updated Cash Flow Forecast**”) for the period from January 12, 2025 to May 17, 2025 (the “**Cash Flow Period**”). A copy of the Updated Cash Flow Forecast, together with Notes and Summary of Assumptions (the “**Cash Flow Assumptions**”), is attached to this First Report as **Appendix “B”**.

6.2 A summary of the Updated Cash Flow Forecast is set out in the following table:

Comark Group (Consolidated)	18 Week
Cash Flow Forecast	(000's CAD)
Receipts	77,186
Disbursements	
Payroll	13,983
Rent	9,390
Sales Tax Payable	6,303
Liquidation Fees	5,644
Warehouse & Corporate	5,425
Duties, Freight & Shipping	4,866
Professional Fees	3,572
Utilities, Maintenance & Other	2,366
Merchandise	2,000
Credit Card Fees	1,283
Store Retention	1,000
Interest & Fees	907
Total Disbursements	56,738
Net Cash Flow	20,448

6.3 The Monitor notes the following with respect to the Updated Cash Flow Forecast:

- (a) collections include cash receipts forecast from the sale of merchandise through the Sale, anticipated to commence on January 17, 2025 (subject to the granting of the Realization Process Approval Order);
- (b) disbursements include payments for logistics, warehousing and transportation services, rent and occupancy costs for stores, payroll and benefits, merchandise, payment processing services and other store-level and corporate operating costs; and
- (c) the Liquidation Fees include the Merchandise Fee in accordance with the Consulting Agreement, and a provision for costs relating to marketing, signage, labour and other expenses anticipated to be occurred in the Sale.

6.4 Based on the Monitor's review, nothing has come to its attention that causes it to believe, in all material respects that: (i) the Cash Flow Assumptions are not consistent with the purpose of the Updated Cash Flow Forecast; (ii) as at the date of this First Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Comark Group or do not provide a reasonable basis for the Updated Cash Flow Forecast, given the Cash Flow Assumptions; or (iii) the Updated Cash Flow Forecast does not reflect the Cash Flow Assumptions.

7.0 AMENDED AND RESTATED INITIAL ORDER

7.1 The Applicants are seeking approval of the Amended and Restated Initial Order. The following summarizes certain material changes from the Initial Order.

Administration Charge

- 7.2 The Initial Order granted a priority charge over the Property in an amount not to exceed \$750,000 in favour of the Monitor, counsel to the Monitor and counsel to the Comark Group (the “**Administration Charge**”). The Applicants are seeking an increase in the amount of the Administration Charge in the ARIO to \$1 million.
- 7.3 The Monitor assisted the Applicants in the calculation of the Administration Charge and is of the view that the proposed amount of the charge is reasonable and appropriate having regard to the nature of these CCAA Proceedings, the significant involvement of the beneficiaries of the Administration Charge at peak periods of activity (including in the initial stages of these CCAA Proceedings), and the quantum of administration charges approved in similar CCAA proceedings.

Directors’ Charge

- 7.4 The Initial Order and the ARIO provide that the Applicants shall indemnify their respective directors and officers against obligations and liabilities that they may incur as directors and officers of the Comark Group after the commencement of the CCAA Proceedings, except to the extent that the obligation or liability was incurred as a result of an officer’s or director’s gross negligence or wilful misconduct. The Initial Order granted a priority charge over the Property in the amount of \$6.2 million in favour of Applicants’ directors and officers as security for such indemnity (the “**Directors’ Charge**”). For the purposes of the Initial Order, the Directors’ Charge was limited to the amount reasonably necessary during the Initial Stay Period. The Applicants are seeking an increase in the amount of the Directors’ Charge to \$7.4 million in the ARIO.

7.5 The Proposed Monitor understands that the Applicants do 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 quantum of the Applicants' employee-related obligations (including salary, wages and vacation pay) and federal and provincial sales tax liabilities. The components that comprise the Directors' Charge are as follows:

Revised Directors' Charge	\$000's
Provision for sales taxes (HST, GST, PST)	\$3,500
Provision for employee wages and source deductions	\$2,500
Provision for accrued vacation pay	\$700
Provision for employee termination (Saskatchewan only)	\$400
Provision for employee benefits, EHT and other amounts	\$300
Total	\$7,400

7.7 The Monitor is of the view that the proposed increase to the Directors' Charge is reasonable in the circumstances having regard to the nature of the Applicants' business (including the significant number of employees and significant quantum of sales tax collections) and the resulting potential scope of director obligations.

DIP Lender's Charge

7.8 As described above, it is a condition precedent to the effectiveness of the DIP Facility that the Court grant the DIP Lender's Charge to secure the obligations under the DIP Facility. While certain of the proceeds of the first advance under the DIP Facility would be used to repay any outstanding Interim Borrowings, the DIP Lender's Charge does not secure the payment of an obligation existing prior to the granting of the proposed ARIO.

Priority of Charges in the ARIO

7.9 The proposed ARIO contemplates that the Charges will rank in priority to all other Encumbrances (as defined in the Initial Order) in favour of any person, provided that the Charges will have the following priority in relation to each other and to the CIBC Security:

- (a) First – Administration Charge (to the maximum amount of \$1 million);
- (b) Second – DIP Lender’s Charge;
- (c) Third – Interim Lender’s Charge (until such Charge is terminated) and the CIBC Security, on a *pari passu* basis;
- (d) Fourth – Directors’ Charge (to the maximum amount of \$7.4 million).

7.10 The ARIO provides that the Interim Lender’s Charge shall be terminated and discharged upon the repayment in full of the Interim Borrowing Obligations.

7.11 For the reasons set forth above, the Monitor believes that the Charges and their respective amounts are necessary and appropriate in the circumstances of these CCAA Proceedings.

Payment of Pre-Filing Obligations

7.12 The proposed ARIO authorizes the Applicants to pay certain pre-filing obligations in accordance with the DIP Term Sheet. The DIP Term Sheet provides that, except for the Interim Borrowings and amounts in respect of accrued and unpaid vacation pay up to a maximum amount of \$140,500, the Applicants may not use the proceeds of the DIP Facility to pay Pre-Filing Obligations unless the DIP Lender has consented in writing to such payment.

- 7.13 The proposed ARIO provides that pre-filing obligations relating to customer prepayments, loyalty programs, gift cards, and returns will not be paid or satisfied from and after January 17, 2025, or such other later date as the Applicants determine in consultation with the DIP Lender.
- 7.14 In light of the restrictions under the DIP Term Sheet, the proposed ARIO authorizes the Applicants to remit Sales Taxes (as defined in the ARIO) collected prior to the Filing Date with the consent of the DIP Lender or if all obligations under the Pre-Filing Credit Agreement and all obligations under the DIP Facility have been repaid in full.

Approval of Merchandise Transfer Agreement

- 7.15 Since the Filing Date, the Applicants, with the assistance of the Monitor, have engaged in discussions with their suppliers, freight forwarders, logistics providers and other stakeholders with a view to ensuring the steady flow of merchandise inventory to the Applicants' Stores and e-commerce customers without disruption. The Applicants' ability to obtain in-transit inventory and make it available to customers on a timely basis is critical to the Applicants' ability to maximize value in these CCAA Proceedings.
- 7.16 As of the Filing Date, the Applicants had approximately \$5.5 million of inventory that was in-transit to Canada via cargo ship and/or located at the Port of Vancouver (the **"Undelivered Merchandise"**).
- 7.17 The Applicants take the position that they obtained title to the Undelivered Merchandise prior to the Filing Date on "FOB origin" or "FCA ocean" terms. As at the Filing Date, the Applicants or their agents were not in possession of the applicable Forwarder's Cargo Receipt ("**FCR**") required to obtain the release of the Undelivered Merchandise. As a result

of the initiation of the CCAA Proceedings and the related stay of proceedings in respect of pre-filing claims, the Applicants have not made any payments to vendors in respect of the Undelivered Merchandise.

7.18 In order to maximize the value of their business and assets, the Applicants wish to obtain delivery and take possession of the Undelivered Merchandise. In this regard, the Applicants, with the assistance of the Monitor, have engaged in discussions with several foreign vendors of Undelivered Merchandise (each a “**Vendor**” and collectively, the “**Vendors**”) with a view to negotiating consensual arrangements for the release of the Undelivered Merchandise to the Applicants.

7.19 The Initial Order (and the proposed ARIO) permits the Applicants, with the consent of the Interim Lender and the Monitor, to pay amounts owing for goods supplied to the Applicants prior to the Filing Date if such payments are necessary to maintain the uninterrupted operations of the Applicants’ businesses. Accordingly, the Applicants, with the consent of the Interim Lender and the Monitor, have reached agreement with certain Vendors pursuant to which such Vendors will facilitate the Applicants taking possession of Undelivered Merchandise in exchange for the Applicants paying a portion of the contracted price for such Undelivered Merchandise. The Applicants have agreed to these arrangements in circumstances where they expect that the proceeds to be obtained from the sale of the Undelivered Merchandise will exceed the amounts paid to the Vendor to obtain possession of such Undelivered Merchandise.

7.20 To date, the Applicants have formalized these consensual arrangements with Vendors in an agreement substantially in the form attached at Exhibit “E” to the Second Kassam

Affidavit (the “**Merchandise Transfer Agreement**”). The Merchandise Transfer Agreement provides that:

- (a) following execution of the Merchandise Transfer Agreement by the applicable Applicant and the Vendor, the Vendor shall transfer or deliver to the Monitor the original FCR and such other documentation as may be necessary to enable the Applicant to take possession of the Undelivered Merchandise (the “**Transfer Documentation**”);
- (b) promptly following receipt of the Transfer Documentation, the Monitor shall provide written notice to the parties (the “**Documentation Notice**”) and shall hold the Transfer Documentation in escrow pending its release in accordance with the Merchandise Transfer Agreement;
- (c) promptly, and no later than two (2) Business Days following delivery of the Documentation Notice by the Monitor, the Applicant shall make a cash payment to the Vendor in an amount agreed to by the parties (the “**Release Payment**”);
- (d) promptly, and no later than one (1) Business Day following receipt of the Release Payment, the Vendor shall provide written notice to the Applicant and the Monitor confirming that it has received the Release Payment (the “**Payment Notice**”);
- (e) promptly following receipt of the Payment Notice, the Monitor shall release the Transfer Documentation to the Applicant, to enable the Applicant to take possession of the Undelivered Merchandise. In the event that the Applicant does not effectuate the Release Payment as required pursuant to the Merchandise

Transfer Agreement, the Monitor shall release the Transfer Documentation to the Vendor;

- (f) in the event that the Vendor does not issue the Payment Notice as required pursuant to the Merchandise Transfer Agreement, or in the event of any dispute or issue between the parties with respect to the Merchandise Transfer Agreement or the performance of obligations thereunder, the parties or the Monitor can apply for relief from the Court in the CCAA Proceedings; and
- (g) the Monitor shall incur no liability or obligation of any nature with respect to the Transfer Documentation, the Release Payment, the Undelivered Merchandise or the Merchandise Transfer Agreement, save and except for any gross negligence or wilful misconduct on its part; and, in carrying out its duties pursuant to the Merchandise Transfer Agreement, the Monitor shall have all of the rights and protections afforded to the Monitor under the CCAA and the Initial Order and as an officer of the Court.

7.21 The Merchandise Transfer Agreement is intended to facilitate the completion of consensual arrangements negotiated on a post-filing basis and, with the Monitor acting as escrow agent in respect of the Transfer Documentation while the Release Payment is delivered, provide certainty to the Applicant and the Vendor that the other party will honour its agreement.

7.22 In the proposed ARIO, the Applicants are requesting that the Court: (a) approve the form of Merchandise Transfer Agreement (the “**Template MTA**”); (b) authorize the Applicants and the Monitor to enter into Merchandise Transfer Agreements in substantially the form of the Template MTA and to perform their respective obligations thereunder; and (c) give

effect to the protections in favour of the Monitor set out in the Merchandise Transfer Agreement.

- 7.23 The Monitor supports the relief requested by the Applicants with respect to the Merchandise Transfer Agreement. Approval of the Merchandise Transfer Agreement and related authorizations for the Applicants and the Monitor to comply with their obligations thereunder will provide greater certainty to Vendors (who are located outside of Canada and have minimal or no experience with the CCAA process), permit the Applicants to obtain possession of the Undelivered Merchandise on a consensual basis, and enable the Applicants to maximize the value of the Undelivered Merchandise through the Sale.

Sale Process

- 7.24 As discussed in the Second Kassam Affidavit, since the commencement of these CCAA Proceedings, the Applicants have received interest from several parties regarding the Applicants' business and assets. As a result of this interest, the proposed ARIO permits the Applicants, with the consent of the Monitor and in consultation with the DIP Lender, to pursue a Transaction.
- 7.25 The Monitor intends to contact parties known to the Monitor or the Applicants who may have an interest in the Applicants' business or assets. Depending on the nature and level of interest obtained from such efforts, the Monitor, in consultation with the Applicants and the DIP Lender, may draft a solicitation letter detailing bid procedures, including requirements, milestones and selection criteria. If these bid procedures are established, the Monitor will clearly communicate them to the identified interested parties. Depending on the interest level, the Monitor may also directly negotiate with potential purchasers, in

place of a formal solicitation process. Any Transaction that results from such negotiations will require the approval of the DIP Lender and prior court approval.

- 7.26 The Monitor supports the authorization to pursue a Transaction on an accelerated basis, in lieu of a formal solicitation process, given, among other things: (a) the Applicants have limited liquidity to run a traditional solicitation process; (b) the authorizations in the proposed ARIO and the terms of the Consulting Agreement provide appropriate flexibility to explore all value-enhancing options for the Applicants' assets and business, while concurrently commencing the Sale; and (c) the DIP Lender supports the Monitor and the Applicants engaging in discussions with potential interested parties in the manner outlined above. This accelerated approach fits within the milestones under the DIP Term Sheet.

Extension of the Stay Period

- 7.27 The Initial Order granted a stay of proceedings for the Initial Stay Period through January 17, 2025. The Applicants are now seeking an extension of the Stay Period (as defined in the ARIO) to and including May 15, 2025.
- 7.28 The Monitor supports the Applicants' request to extend the Stay Period for the following reasons:
- (a) the proposed extension will permit the Applicants, with the assistance of the Consultant and under the supervision of the Monitor, to conduct the Sale in accordance with the Consulting Agreement and Sale Guidelines with a view to maximizing the value of the Comark Group's Merchandise and FF&E in an orderly and efficient manner;

- (b) an extension of the stay of proceedings will provide the Comark Group with stability and a further opportunity to pursue one or more value-enhancing Transactions, and to return to Court to seek approval of any such Transaction;
- (c) the Comark Group has acted, and continues to act, in good faith and with due diligence to advance their restructuring efforts and the CCAA Proceedings;
- (d) as reflected in the Updated Cash Flow Forecast, the Applicants are expected to have sufficient liquidity, subject to compliance with the DIP Budget, to fund their operations and the costs of the CCAA Proceedings during the requested Stay Period;
- (e) an extension of the stay of proceedings of the length requested by the Applicants is reasonable having regard to the current status of the CCAA Proceedings and will ensure that the Applicants are not required to expend time and resources to seek an interim extension of the stay of proceedings while they advance and complete the Sale; and
- (f) the Monitor is not aware of any party that would be materially prejudiced by the proposed extension of the Stay Period.

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:

- (a) assisting the Applicants in stabilizing their business operations and obtaining uninterrupted access to goods and services, including engaging in discussions and

negotiations with merchandise vendors, transportation providers, freight forwarders, and other critical suppliers;

- (b) overseeing the issuance of disclaimers and employee terminations by the Applicants during the Initial Stay Period;
- (c) with the assistance of counsel, engaging in discussions with the Applicants' landlords and their counsel with respect to the impact of the CCAA Proceedings and obtaining landlord feedback on the ARIO, Sale Guidelines and Sale process;
- (d) assisting the Applicants in advancing the Sale, including liaising with Potential Liquidators, populating the Data Room, reviewing proposals and, with the assistance of counsel and in consultation with the Applicants and the DIP Lender, reviewing and negotiating the Consulting Agreement and the Sale Guidelines;
- (e) monitoring the Comark Group's cash receipts and disbursements and assisting in preparing the Updated Cash Flow Forecast;
- (f) engaging in extensive discussions with CIBC and its financial advisor with respect to liquidity matters, borrowing base calculations, the DIP Budget, the DIP Term Sheet, the Updated Cash Flow Forecast, the conduct and financial impact of the Sale and the progression of the CCAA Proceedings;
- (g) engaging with, and furnishing information to, parties who have expressed an interest in pursuing potential Transactions in respect of the Applicants' business and assets;

- (h) activating the Case Website and coordinating the posting of Court-filed documents to the Case Website;
- (i) completing or coordinating the notice requirements pursuant to the Initial Order, including, among other things:
 - (a) arranging for publication of notice of the CCAA Proceedings, in the prescribed form, in *The Globe and Mail* (National Edition) on January 10, 2025 and January 17, 2025;
 - (b) arranging for notice of the CCAA Proceedings, in the prescribed manner, to be emailed or mailed, on January 14, 2025 to each known creditor having a claim against the Applicants of more than \$1,000; and
 - (c) activating the Monitor's toll-free number and email account for the CCAA Proceedings, and responding to stakeholder inquiries received through those and other contact points; and
- (j) with the assistance of Goodmans LLP, counsel to the Monitor, preparing this First Report.

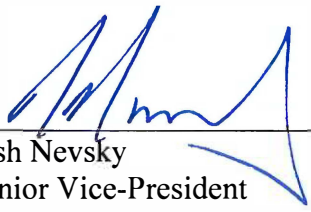
9.0 CONCLUSIONS AND RECOMMENDATIONS

- 9.1 For the reasons set out in this First Report, the Monitor respectfully recommends that the Court grant the Realization Process Approval Order and the ARIIO.

All of which is respectfully submitted to the Court this 16th day of January, 2025.

Alvarez & Marsal Canada Inc., solely 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:



Josh Nevsky
Senior Vice-President

**APPENDIX “A”
PRE-FILING REPORT**

See attached

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

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

JANUARY 6, 2025

TABLE OF CONTENTS

1.0	INTRODUCTION.....	1
2.0	TERMS OF REFERENCE AND DISCLAIMER	5
3.0	A&M’S QUALIFICATIONS TO ACT AS MONITOR	7
4.0	BACKGROUND INFORMATION RELATING TO THE COMARK GROUP	8
5.0	SECURED DEBT OBLIGATIONS	11
6.0	CASH MANAGEMENT SYSTEM.....	17
7.0	CASH FLOW FORECAST	18
8.0	INTERIM FINANCING	21
9.0	COURT-ORDERED CHARGES SOUGHT IN THE INITIAL ORDER.....	22
10.0	PAYMENTS DURING THE CCAA PROCEEDINGS	25
11.0	CONCLUSIONS AND RECOMMENDATIONS.....	26

APPENDICES

Appendix “A” – Comark Group Corporate Structure

Appendix “B” – Cash Flow Forecast for the Initial Stay Period Ending January 17, 2025

Appendix “C” – Management’s Representation Letter Regarding the Cash Flow Forecast

1.0 INTRODUCTION

- 1.1 Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Proposed Monitor**”) understands that Comark Holdings Inc. (“**Comark**”), Ricki’s Fashions Inc. (“**Ricki’s**”), cleo fashions Inc. (“**cleo**”) and Bootlegger Clothing Inc. (“**Bootlegger**”) (collectively, the “**Applicants**” or the “**Comark Group**”) intend to make an application to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) for an order (the “**Initial Order**”) granting, among other things, a stay of proceedings pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and appointing A&M as Monitor of the Applicants (the “**Monitor**”). The proceedings to be commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
- 1.2 The Applicants consist of Comark, a privately-held corporation, and its three direct subsidiaries: Ricki’s, cleo, and Bootlegger (together, the “**Retail Entities**”). The Retail Entities are large Canadian specialty apparel retailers with a nationally recognized portfolio of banners and exclusive private labels. All of the Applicants are corporations governed by the *Canada Business Corporations Act*. A summarized chart of the corporate organizational structure of the Comark Group is attached hereto as **Appendix “A”**. 9383921 Canada Inc. (“**ParentCo**”) owns 100% of the shares of Comark and is not an Applicant in these CCAA Proceedings.
- 1.3 The Retail Entities currently have 221 store locations across Canada, comprised of 75 Ricki’s stores, 54 cleo stores, 53 Bootlegger stores, and 39 stores in which the Retail Entities operate two or three brands under a single lease (“**Combo Stores**”). The Retail Entities’ stores are located across eight Canadian provinces: British Columbia, Alberta,

Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, and Newfoundland and Labrador. Each of the Retail Entities also has a significant e-commerce presence, with online sales accounting for approximately 18% of total sales of the Retail Entities on an aggregate basis.

- 1.4 Since completing a successful CCAA restructuring in 2020, the Applicants have experienced a number of financial and operational challenges in recent years that have negatively impacted profitability and strained the Comark Group's liquidity, including: (a) the long-lasting effects of the COVID-19 pandemic; (b) a ransomware cyber-attack that occurred in November 2021 and significantly disrupted business operations during the holiday sales period and created long-lasting inventory management issues; (c) expanded competition from certain ultra low-cost fashion retailers; and (d) recent supply chain and vendor issues which have caused material delays in the receipt of seasonal merchandise and resulting loss of revenue.
- 1.5 The Comark Group has suffered declining financial performance as a result of these challenges. For the nine-month period ended November 23, 2024, the Applicants' total net sales decreased by \$19 million (a decrease of 13% compared to the same prior year period) and the Applicants' net earnings were negative \$21 million (a decrease of 45% compared to the same prior year period).
- 1.6 The Comark Group's negative cash flow and working capital issues have caused a significant strain on Comark's ability to access funding and comply with the terms of its credit facilities (the "**CIBC Credit Facilities**") provided by its senior secured lender, Canadian Imperial Bank of Commerce ("**CIBC**"). The Applicants are also in breach of

certain financial covenants under the CIBC Credit Agreement (as defined below). On January 5, 2025, CIBC demanded payment and accelerated amounts owing under the CIBC Credit Agreement and related guarantees by the Applicants (the “**CIBC Demands**”). As a result, Comark is unable to obtain further advances under the CIBC Credit Facilities, including the revolving loan facility provided by CIBC (the “**CIBC Revolving Loan Facility**”).

1.7 ParentCo has provided substantial financial support to the Applicants in recent years, including by advancing over \$35 million in secured loans to the Comark Group since 2020 (of which \$15 million was advanced in the current fiscal year) under a secured loan facility with Comark (the “**ParentCo Loan Facility**”). The aggregate obligations owing under the ParentCo Loan Facility, which are contractually subordinated to the CIBC Credit Facilities, are approximately \$57 million. While ParentCo is supportive of the Applicants’ business, the Proposed Monitor understands that ParentCo is not prepared to advance further funding to the Applicants.

1.8 The Applicants’ cash flow and liquidity constraints have resulted in significant arrears owing to vendors and landlords. As at December 24, 2024, the Comark Group owed approximately \$61 million in accounts payable and accrued liabilities, including: (a) approximately \$44 million owing to merchandise vendors; (b) approximately \$2.2 million owing to landlords in respect of outstanding rent;¹ (c) approximately \$4.2 million owing to Parian Logistics Inc. (“**Parian**”), a related entity owned by ParentCo, that leases head office and warehouse space to the Applicants and provides warehousing, distribution and

¹ As of the date of this Report, the Comark Group owes approximately \$4.7 million to landlords in respect of outstanding rent.

e-commerce fulfillment services to the Retail Entities; (d) approximately \$2.0 million owing in respect of duties and freight; and (e) approximately \$8.6 million owing to other trade vendors.

- 1.9 The Comark Group is initiating the CCAA Proceedings in order to obtain a stay of proceedings during the initial 10-day stay period under the CCAA (the “**Initial Stay Period**”) and to access interim funding that CIBC is only prepared to provide in the context of the CCAA Proceedings. The Proposed Monitor understands that the Applicants intend to use the breathing room afforded by the CCAA to engage with their principal stakeholders and to advance a process to address their current financial circumstances and maximize the value of their business, which is likely to include: (a) a liquidation of all inventory and furniture, fixtures and equipment (“**FF&E**”) owned by Ricki’s and Cleo and an orderly wind-down of those businesses; (b) a right-sizing of the Bootlegger retail store footprint by disclaiming leases for underperforming Bootlegger stores and liquidating some or all of the inventory and FF&E owned by Bootlegger; and (c) a potential sale of the remaining business and assets of the Applicants, including intellectual property, leases and other assets of the Comark Group, through a court-approved sale and investment solicitation process. The Applicants intend to seek certain relief with respect to the foregoing at the comeback hearing prior to the expiry of the Initial Stay Period (the “**Comeback Hearing**”) or shortly thereafter.
- 1.10 The purpose of this pre-filing report (the “**Report**”) is to provide the Court with information, and where applicable, the Proposed Monitor’s views on:
- (a) A&M’s qualifications to act as Monitor (if appointed);

- (b) background information with respect to the Comark Group;
- (c) the review by the Proposed Monitor's counsel of the security granted by the Applicants to secure the obligations under the CIBC Credit Facilities, the ParentCo Loan Facility, and intercompany loans made by Comark to each of the Retail Entities;
- (d) the Comark Group's cash management system;
- (e) the Comark Group's cash flow forecast;
- (f) proposed interim funding arrangements with CIBC during the Initial Stay Period;
- (g) the Court-ordered charges over the property and assets of the Applicants (the "**Property**") sought by the Applicants in the Initial Order; and
- (h) the Proposed Monitor's conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

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

- (a) the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed

Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“CAS”) pursuant to the *Chartered Professional Accountants Canada Handbook* (the “**CPA Handbook**”) and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CAS in respect of the Information; and

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

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

2.3 This Report should be read in conjunction with the Affidavit of Shamsh Kassam sworn on January 6, 2025 (the “**First Kassam Affidavit**”), in support of the Comark Group’s application for relief under the CCAA, for additional background and other information regarding the Applicants. Capitalized terms used and not defined in this Report have the meanings given to them in the First Kassam Affidavit.

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

3.0 A&M'S QUALIFICATIONS TO ACT AS MONITOR

- 3.1 Alvarez & Marsal Canada ULC was engaged to act as a consultant to the Comark Group on December 2, 2024, and as such, the Proposed Monitor is familiar with the business, operations and financial circumstances of the Applicants. A&M also gained extensive familiarity with the Applicants as a result of having served as monitor in connection with the Comark Group's 2020 CCAA restructuring. A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA.
- 3.2 The senior A&M professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants (Chartered Accountants), Chartered Insolvency and Restructuring Professionals, and Licensed Insolvency Trustees. These A&M professionals have previously acted in restructuring proceedings of a similar nature and complexity in Canada, including CCAA and other restructuring proceedings involving retail companies with operations across Canada, including during the Comark Group's 2020 CCAA restructuring.
- 3.3 The Proposed Monitor has retained Goodmans LLP to act as its independent legal counsel.
- 3.4 A&M has consented to act as Monitor of the Applicants on the terms set forth in the proposed Initial Order, should the Court grant the Applicants' request to commence the CCAA Proceedings.

4.0 BACKGROUND INFORMATION RELATING TO THE COMARK GROUP

- 4.1 This Report summarizes certain background information in relation to the Comark Group as it relates to the Comark Group's application for the commencement of these CCAA Proceedings. Readers of this Report are advised to review in full the First Kassam Affidavit, which provides a comprehensive overview of the businesses, operations and financial circumstances of the Applicants and the intended purpose of the CCAA Proceedings.
- 4.2 The Retail Entities operate different brands under the operating companies Ricki's, cleo and Bootlegger, each of which has a distinctive brand identity, target market, and customer base. Each of the brands sells unique work attire and casual clothing for the Canadian marketplace.
- 4.3 The Retail Entities conduct business through 221 store locations in eight Canadian provinces. All of the retail operations are conducted in leased premises; the Applicants do not own any real property. A majority of the Retail Entities' leases are with large third-party landlords, whose subsidiaries own malls and shopping centres across Canada. While most of the Comark Group's stores are operated under a single retail banner by the entity that leases the premises, there are certain Combo Stores at which the Retail Entities operate two or three stores under a single lease. The following table sets out the Retail Entities' current store locations by province:

Stores by Province	
British Columbia	32
Alberta	49
Saskatchewan	21
Manitoba	13
Ontario	87
New Brunswick	7
Nova Scotia	4
Newfoundland	8
Total	221

4.4 As described in the First Kassam Affidavit, the terms of the Retail Entities' retail leases vary. Some leases require payment of fixed rent, other leases require payment of rent based on a percentage of the retail location's sales, and some leases require a combination of both. The Retail Entities did not make percentage rent payments to certain of their landlords in November 2024, did not pay the majority of their rent (percentage or fixed) to their landlords in December 2024, and, to date, have not paid any rent to any landlords in January 2025. As of the date of this Report, the Applicants owe approximately \$4.7 million to landlords in respect of outstanding rent.

4.5 The Applicants lease a portion of an approximately 400,000 square foot building in Winnipeg, Manitoba from Parian, a related party that is 100% owned by ParentCo. The leased premises serve as the Retail Entities' distribution centre, Comark's corporate headquarters, and the head offices of Ricki's and Bootlegger. The Comark Group also sub-leases a building in Mississauga, Ontario, which serves as cleo's head office.

4.6 As of December 17, 2024, the Retail Entities have approximately 2,056 hourly and salaried employees across Canada, inclusive of store-level and head office personnel. Comark does

not have any employees. A summary of employees based on specific employer and province of employment is contained in the First Kassam Affidavit.

- 4.7 The Retail Entities' merchandise ordering and payment processes are described in the First Kassam Affidavit. The Retail Entities sell predominantly exclusive private label merchandise. Bootlegger (and, to a lesser extent, Ricki's and cleo) also sells branded merchandise. Approximately 82% of the Retail Entities' private label merchandise is sourced from foreign manufacturers, located primarily in China and Bangladesh; the remaining 18% of purchases are sourced in North America. The Applicants are exposed to substantial foreign exchange risk given that a large portion of their product purchases are made in U.S. dollars while sales are received in Canadian dollars. The Applicants use forward and options contracts to mitigate this exchange rate risk.
- 4.8 Parian provides warehousing, distribution, e-commerce fulfilment and other services to each of the Retail Entities (the "**Parian Services**"). In addition, certain information technology services used by the Applicants (including from third party providers) are provided to them pursuant to agreements with an affiliate of ParentCo (the "**IT Services**"). The Parian Services and IT Services are essential to the operation of the Applicants' business.
- 4.9 The Retail Entities do not have their own transportation capability, and the vast majority of their products are transported to retail stores or to e-commerce customers using Purolator and Canada Post.
- 4.10 The First Kassam Affidavit extensively describes the operational and financial challenges experienced by the Comark Group in recent years, the arrears owing to its vendors, trade

creditors and other unsecured creditors, and the funding and liquidity issues that have necessitated the commencement of the CCAA Proceedings.

5.0 SECURED DEBT OBLIGATIONS

5.1 As of January 2, 2025, the Applicants have approximately \$89 million of outstanding secured debt (exclusive of intercompany secured debt between the Applicants), comprised of approximately \$32.4 million owing to CIBC and approximately \$57 million owing to ParentCo.

CIBC Credit Facilities

5.2 CIBC is the main operating lender to the Applicants. The CIBC Credit Facilities are governed by an Amended and Restated Credit Agreement dated as of September 9, 2024 (as amended, the “**CIBC Credit Agreement**”) among Comark, as borrower, and CIBC, as agent and lender. Under the CIBC Credit Agreement, CIBC has made available three separate loan facilities to Comark:

- (a) a term loan facility (the “**CIBC Term Loan Facility**”) in the principal amount of \$3.4 million;
- (b) the CIBC Revolving Loan Facility in the maximum principal amount of \$30 million, which includes sublimits for letters of credit and currency exchange contracts; and

- (c) a revolving loan facility (the “**BCAP Loan Facility**”) under the Business Credit Availability Program (“**BCAP**”) offered by Export Development Canada (“**EDC**”) in the maximum principal amount of \$6.25 million.

5.3 The CIBC Revolving Loan Facility is used for working capital and other general corporate purposes. The CIBC Term Loan Facility in the original principal amount of \$6.4 million was fully advanced on the original date of the CIBC Credit Agreement in August 2020 and the proceeds were used to repay a portion of a separate credit agreement between CIBC and a predecessor of Comark. The BCAP Loan Facility provided additional liquidity to the Comark Group to finance its operations in accordance with EDC’s BCAP guarantee program, which was established for the purpose of assisting businesses affected by the economic impacts of the COVID-19 pandemic. The BCAP Loan Facility is governed by the CIBC Credit Agreement and CIBC is the lender in respect thereof, although EDC has guaranteed the BCAP Loan Facility, in accordance with the terms of a separate guarantee between EDC and CIBC, in an amount equal to the lesser of (a) 80% of the BCAP Loan Facility, and (b) \$5 million, plus, in either case, accrued and unpaid interest for a maximum of 120 days.

5.4 The maximum amount available for borrowing under the CIBC Revolving Loan Facility is subject to a borrowing base formula set out in the CIBC Credit Agreement, which borrowing base is calculated by reference to the value of certain of the Comark Group’s accounts receivable, inventory on hand and inventory in-transit (subject to certain reserves that CIBC may establish from time to time). Accordingly, borrowing availability under the CIBC Revolving Loan Facility fluctuates from month to month, with a maximum

availability cap of \$30 million (which was temporarily increased to \$35 million during the period commencing on September 9, 2024 and ending on December 31, 2024).

- 5.5 The obligations under the CIBC Credit Facilities are guaranteed by each of the Retail Entities. As security for the obligations under the CIBC Credit Facilities and related guarantees, each of the Applicants has granted CIBC a security interest over all of its present and after-acquired property, assets and undertaking.
- 5.6 ParentCo has guaranteed the obligations under the CIBC Term Loan Facility on a limited recourse basis, and as security for such obligations has granted CIBC a security interest in: (a) the shares of Comark held by ParentCo; and (b) cash collateral of \$2.5 million, plus accrued interest, held in a deposit account at CIBC.
- 5.7 The outstanding obligations under the CIBC Credit Agreement as of January 2, 2025 are as follows:
- (a) approximately \$23.7 million owing under the CIBC Revolving Loan Facility (which amount fluctuates daily);
 - (b) approximately \$2.4 million owing under the CIBC Term Loan Facility; and
 - (c) \$6.25 million owing under the BCAP Loan Facility.

ParentCo Loan Facility

- 5.8 ParentCo, as lender, is party to a sponsor loan agreement with Comark, as borrower, dated as of August 7, 2020 (as amended, the “**ParentCo Loan Facility**”). Pursuant to the ParentCo Loan Facility, ParentCo agreed to make loan advances to Comark, with the initial

loan advance being in the principal amount of \$25.4 million. As of January 4, 2024, approximately \$57 million is outstanding under the ParentCo Loan Facility.

- 5.9 The obligations under the ParentCo Loan Facility bear interest at a fixed interest rate of 1% per year, plus non-compounding participating interest equal to the lesser of: (a) 11% per annum; and (b) the amount of free cash flow (subject to certain reserves and restrictions) generated by Comark.
- 5.10 Each of the Retail Entities has guaranteed the obligations of Comark owing to ParentCo, including the obligations under the ParentCo Loan Facility. As security for their obligations to ParentCo, each of the Applicants has granted ParentCo a security interest over all of its present and after-acquired property, assets and undertaking.

Retail Entity Facilities

- 5.11 Comark, as lender, is also party to individual intercompany loan agreements with each of Ricki's, cleo and Bootlegger dated as of January 30, 2021 or February 1, 2021 (each a "**Retail Entity Facility**" and collectively, the "**Retail Entity Facilities**"). The Retail Entity Facilities are all substantially in the same form. Each Retail Entity Facility consists of a revolving loan facility under which Comark may from time to time make advances or re-advances available to the applicable Retail Entity.
- 5.12 As of November 23, 2024, approximately \$49.4 million is outstanding under the Ricki's Retail Entity Facility, approximately \$37.8 million is outstanding under the cleo Retail Entity Facility, and approximately \$29.5 million is outstanding under the Bootlegger Retail Entity Facility.

- 5.13 Each Retail Entity has granted Comark a security interest over its present and after-acquired property, assets and undertaking as security for its respective obligations to Comark, including its obligations under the applicable Retail Entity Facility.

Subordination Agreements

- 5.14 ParentCo, Comark, the Retail Entities and CIBC are parties to a Subordination, Postponement and Standstill Agreement dated as of August 7, 2020 (the “**ParentCo Subordination Agreement**”) in relation to the secured debt obligations owing by Comark to ParentCo. Pursuant to the ParentCo Subordination Agreement, ParentCo has, among other things, (a) subordinated all obligations of Comark to ParentCo to the prior repayment in full by Comark of all obligations under the CIBC Credit Facilities; and (b) agreed that the security interests of CIBC in the Collateral (as defined in the CIBC Credit Agreement) shall rank in priority to the security interests of ParentCo in such Collateral.
- 5.15 Comark, the Retail Entities and CIBC are parties to a Subordination, Postponement and Standstill Agreement dated as of February 1, 2021 (the “**Comark Subordination Agreement**”) in relation to the secured debt obligations owing by the Retail Entities to Comark. Pursuant to the Comark Subordination Agreement, Comark has, among other things, (a) subordinated all obligations of the Retail Entities to Comark to the prior repayment in full by the Retail Entities of all obligations under the CIBC Credit Facilities; and (b) agreed that the security interests of CIBC in the Collateral (as defined in the CIBC Credit Agreement) shall rank in priority to the security interests of Comark in such Collateral.

Security Review

- 5.16 The Proposed Monitor requested that its counsel review the applicable security agreements and related documents relating to the security interests granted by the Applicants to secure the payment of the CIBC Credit Facilities, the ParentCo Loan Facility and the Retail Entity Facilities (collectively, the “**Security Documents**”). The Proposed Monitor has engaged British Columbia counsel to assist in the review of the Security Documents given that the Security Documents are governed by British Columbia law. Subject to qualifications and assumptions customary in rendering security opinions of this nature, the Proposed Monitor’s counsel has concluded that: (a) each of the Security Documents creates a valid security interest in favour of the applicable secured party in the collateral to which the *Personal Property Security Act* (“**PPSA**”) of Ontario and the PPSA of British Columbia applies; and (b) registration has been made in all public offices provided for under the laws of Ontario and British Columbia where such registration is necessary to perfect the security interest created by each of the Security Documents in favour of the applicable secured party in such collateral.
- 5.17 The Proposed Monitor’s counsel has not rendered an opinion on the perfection of the security interests created by the Security Documents in provinces other than Ontario and British Columbia, in light of the costs that would be associated with rendering opinions with respect to six additional jurisdictions. However, the Proposed Monitor notes that each of CIBC (in respect of the CIBC Credit Facilities), ParentCo (in respect of the ParentCo Loan Facility) and Comark (in respect of each Retail Entity Facility) has registered its security interest in relation to the applicable obligor under the PPSA of Alberta, Saskatchewan, Manitoba, Nova Scotia, New Brunswick and Newfoundland and Labrador

(being the six other provinces, in addition to Ontario and British Columbia, in which the Applicants carry on retail operations).

- 5.18 The Proposed Monitor notes that, in addition to PPSA registrations made against the Applicants in favour of CIBC or ParentCo and its affiliates (including Comark), two PPSA registrations relating to specific motor vehicles have been made against Comark by Leggat National Leasing in Ontario and Alberta.

6.0 CASH MANAGEMENT SYSTEM

- 6.1 The Applicants maintain a centralized cash management system which is administered by Parian on behalf of Comark (the “**Comark Cash Management System**”) to deal with cash management, collections, disbursements and intercompany payments for all of the Applicants. The Cash Management System is described in the First Kassam Affidavit.
- 6.2 As described in the First Kassam Affidavit, CIBC is the Applicants’ main collection and disbursement bank. The Applicants have thirteen bank accounts with CIBC (in addition to certain local CIBC store deposit accounts), of which nine are Canadian dollar bank accounts and four are U.S. dollar accounts. The Applicants’ bank accounts at other Canadian banks are utilized to facilitate retail store deposits and are swept on a semi-weekly basis to a collections account held at CIBC. Activity in the CIBC bank accounts is reviewed and reconciled by Parian representatives under the supervision and oversight of the Comark Group.
- 6.3 As part of the proposed Initial Order, the Applicants are seeking the authority to continue to use the Comark Cash Management System during the CCAA Proceedings. The Comark

Cash Management System enables the Applicants to efficiently collect, manage and disburse cash throughout the Comark Group. The Proposed Monitor has familiarized itself with the Comark Cash Management System and is of the view that appropriate processes, controls and reporting are in place to enable the Applicants, with the oversight of the Monitor, to continue to use the Comark Cash Management System during the CCAA Proceedings.

7.0 CASH FLOW FORECAST

7.1 The Comark Group has prepared a weekly cash flow forecast (the “**Cash Flow Forecast**”) for the two-week period from January 7, 2025 to January 17, 2025 (the “**Initial Stay Period**”). A copy of the Cash Flow Forecast, together with a summary of assumptions (the “**Cash Flow Assumptions**”) and Management’s report on the cash-flow statement required by section 10(2)(b) of the CCAA, are attached hereto as **Appendix “B”** and **Appendix “C”**, respectively.

7.2 As summarized in the table below, the Cash Flow Forecast shows negative net cash flows of approximately \$160,000 during the Initial Stay Period.

Comark Group (Consolidated)	
Cash Flow Forecast	(000's CAD)
Receipts	4,671
Disbursements	
Rent	900
Payroll	1,995
Merchandise	250
Freight & Shipping	306
Customer Delivery	500
Utilities, Maintenance & Other	380
Liquidation Expenses	500
Total Disbursements	4,831
Net Cash Flow	(160)
Opening Cash Balance	-
Net Cash Flow	(160)
Interim Funding, net of Receipts	460
Closing Cash Balance	300
Pre-Filing Revolver	
Opening Balance	24,006
Draw / (repayment)	460
Ending Balance	24,466

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

- (a) receipts include forecast sales from both retail stores and e-commerce;
- (b) rent includes post-filing rent for the period January 7 to January 17 for all store and office locations (i.e. during the Initial Stay Period);
- (c) payroll includes payroll, benefits and taxes for all store-level and corporate employees; and
- (d) remaining disbursements primarily includes logistics and transportation services, and other store-level and corporate operating costs. A provision has been included

for a deposit anticipated to be required following the engagement of a liquidation consultant.

- 7.4 The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the monitor's findings. Pursuant to this standard, the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by certain key members of management. The Proposed Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast.
- 7.5 Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe, in all material respects that:
- (a) the Cash Flow Assumptions are not consistent with the purpose of the Cash Flow Forecast;
 - (b) as at the date of this Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the Cash Flow Assumptions; or
 - (c) the Cash Flow Forecast does not reflect the Cash Flow Assumptions.

- 7.6 The Cash Flow Forecast has been prepared solely for the purpose and subject to the assumptions described above, and readers are cautioned that it may not be appropriate for other purposes. The Cash Flow Forecast is subject to material change based on sales activity, the Applicants' restructuring efforts, and circumstances arising from the commencement of the CCAA Proceedings.

8.0 INTERIM FINANCING

- 8.1 The Cash Flow Forecast indicates that interim financing is needed on an urgent basis during the Initial Stay Period to fund operations and preserve the Applicants' businesses while they determine and pursue their next steps in the CCAA Proceedings. To avoid an abrupt shutdown of the Comark Group's businesses, CIBC, as interim lender (the "**Interim Lender**") has advised the Applicants that it is prepared to permit Comark to continue to borrow under the existing CIBC Revolving Loan Facility during the Initial Stay Period pursuant to the CIBC Credit Agreement (the "**Interim Borrowings**") provided that, among other things, such Interim Borrowings are secured by a Court-ordered charge over the Applicants' Property (the "**Interim Lender's Charge**").
- 8.2 The Proposed Monitor supports approval of the Interim Borrowings arrangement and the granting of the Interim Lender's Charge on the basis that:
- (a) the Applicants are in urgent need of near term funding and CIBC is the only realistic and practical provider of such interim funding given the urgency and the Applicants' current circumstances;

- (b) CIBC is the Applicants' existing senior secured lender and is prepared to make the funding available to the Applicants to avoid an abrupt shutdown of the Applicants' business and enable the Applicants to pursue an orderly process to maximize value;
- (c) based on the Cash Flow Forecast, the Interim Borrowings arrangement will provide the Applicants with access to sufficient funding to continue their business operations during the Initial Stay Period; and
- (d) the proposed Initial Order provides that the Interim Lender's Charge will not secure any obligation that exists before the Initial Order is made.

8.3 Discussions are underway between CIBC and the Applicants regarding the provision of debtor-in-possession ("**DIP**") financing on a super priority basis to the Applicants. The Applicants anticipate that they will seek approval of a DIP facility at or commensurate with the Comeback Hearing.

9.0 COURT-ORDERED CHARGES SOUGHT IN THE INITIAL ORDER

9.1 The proposed Initial Order also seeks the granting of the Administration Charge and the Directors' Charge (collectively with the Interim Lender's Charge, the "**Charges**") over the Property of the Applicants.

9.2 The proposed Initial Order contemplates that the Charges will rank in priority to all other Encumbrances (as defined in the Initial Order) of any secured creditor of the Applicants that received notice of the CCAA application, provided that the Charges will have the following priority in relation to each other and to the security granted by the Applicants in

respect of the pre-filing obligations under the CIBC Credit Facilities (the “**CIBC Security**”):

- (a) the Administration Charge will rank in priority to the CIBC Security and the Interim Lenders’ Charge;
- (b) the Interim Lender’s Charge will rank subordinate to the Administration Charge and *pari passu* with the CIBC Security; and
- (c) the Directors’ Charge will rank subordinate to the Administration Charge, the Interim Lender’s Charge and the CIBC Security.

9.3 At the Comeback Hearing, the Applicants may seek priority of the Charges ahead of any Encumbrance over which the Charges may not have obtained priority pursuant to the Initial Order.

Administration Charge

9.4 The Initial Order provides for a charge over the Applicants’ Property in an amount not to exceed \$750,000 in favour of the Monitor, counsel to the Monitor and counsel to the Applicants (the “**Administration Charge**”). At the Comeback Hearing, the Applicants intend to seek an increase of the Administration Charge to \$1 million.

9.5 The Proposed Monitor assisted the Applicants in the calculation of the Administration Charge and is of the view that the quantum of the Administration Charge for the Initial Stay Period is reasonable and appropriate in the circumstances in light of the extensive

scope of work required during such period and the size of administration charges approved in similar CCAA proceedings.

Directors' Charge

- 9.6 The proposed Initial Order provides that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors and officers of the Applicants after commencement of the CCAA Proceedings, except to the extent that the obligation or liability was incurred as a result of an officer's or director's gross negligence or wilful misconduct. The proposed Initial Order provides for a charge over the Applicants' Property in the amount of \$6.2 million in favour of the Applicants' directors and officers as security for that indemnity. At the Comeback Hearing, the Applicants intend to seek an increase of the Directors' Charge.
- 9.7 The Proposed Monitor understands that the Applicants do not have a liability insurance policy for the potential benefit of present or former directors and officers.
- 9.8 The Proposed Monitor assisted the Applicants in the calculation of the initial amount of the Directors' Charge, taking into consideration the quantum of the Applicants' employee-related obligations (including salary, wages and vacation pay) and federal and provincial sales tax liabilities during the Initial Stay Period. The components making up the proposed Directors' Charge are as follows:

Proposed D&O Charge	<i>\$000's</i>
Provision for sales taxes (HST, GST, PST)	\$3,000
Provision for employee wages and source deductions	\$2,000
Provision for accrued vacation pay	\$550
Provision for employee termination (Saskatchewan only)	\$400
Provision for employee benefits, EHT and other amounts	\$250
Total	\$6,200

9.9 The Proposed Monitor is of the view that the quantum of the Directors' Charge is reasonable and appropriate in the circumstances having regard to the size and nature of the Applicants' business operations.

10.0 PAYMENTS DURING THE CCAA PROCEEDINGS

10.1 During the course of the CCAA Proceedings, the Applicants intend to make payments for goods and services supplied post-filing in the ordinary course as set out in the Cash Flow Forecast and as permitted by the proposed Initial Order.

10.2 To ensure uninterrupted business operations, the Applicants are seeking in the proposed Initial Order to be authorized, but not required, to pay certain pre-filing amounts owing to key participants in the Applicants' distribution network and to other critical suppliers, including logistics or supply chain providers, customs brokers and clearing houses, providers of credit and debit processing services, and affiliates of ParentCo. The proposed Initial Order provides that such payments would only be made to the extent included in the Cash Flow Forecast or otherwise approved by the Monitor and the Interim Lender.

10.3 The Proposed Monitor is of the view that an authorization for the Applicants to pay pre-filing amounts to critical third parties as contemplated under the Cash Flow Forecast or

otherwise approved by the Monitor and the Interim Lender is appropriate in the circumstances to ensure that the Applicants can operate without disruption and maximize the value of their business and assets.

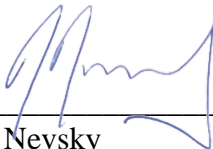
- 10.4 Given the Applicants' liquidity and funding constraints, the Monitor expects that the circumstances in which the Applicants will be in a position to pay pre-filing arrears will be very limited.

11.0 CONCLUSIONS AND RECOMMENDATIONS

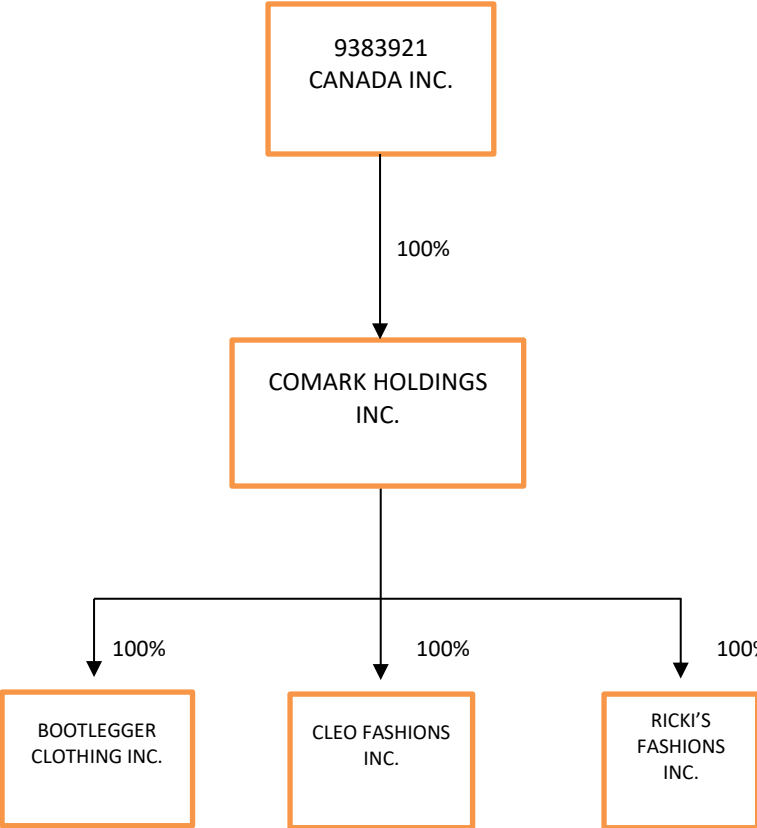
- 11.1 For the reasons set out in this Report, if the Court is satisfied that the Applicants are companies to which the CCAA applies, the Proposed Monitor is of the view that the relief requested by the Applicants in the proposed Initial Order is reasonable, appropriate and necessary having regard to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

All of which is respectfully submitted to the Court this 6th day of January, 2025.

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

Per: 
Josh Nevsky
Senior Vice-President

APPENDIX “A”
COMARK GROUP SIMPLIFIED CORPORATE CHART



APPENDIX “B”
CASH FLOW FORECAST

See attached.

Disclaimer

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

Comark Group (Consolidated)			
Cash Flow Forecast	Week 1	Week 2	2-Week
(000's CAD)	11-Jan	18-Jan	Total
Receipts	2,366	2,305	4,671
Disbursements			
Rent	900	-	900
Payroll	504	1,490	1,995
Merchandise	-	250	250
Freight & Shipping	106	199	306
Customer Delivery	300	200	500
Utilities, Maintenance & Other	250	130	380
Liquidation Fees	-	500	500
Total Disbursements	2,061	2,770	4,831
Net Cash Flow	305	(465)	(160)
Opening Cash Balance	-	300	-
Net Cash Flow	305	(465)	(160)
Interim Funding, net of Receipts	(5)	465	460
Closing Cash Balance	300	300	300
Pre-Filing Revolver			
Opening Balance	24,006	24,001	24,006
Interim Funding	(5)	465	460
Ending Balance	24,001	24,466	24,466

Assumptions

- 1) Receipts include the collection of forecast sales from retail and online channels across Bootlegger, Ricki's and Cleo.
- 2) Rent includes post-filing rent for the period January 7 to January 17, 2025 for all store and office locations.
- 3) Payroll for all employees is forecast to be paid in the normal course.
- 4) Liquidation Fees is a provision for a retainer payment to be paid to the Consultant, following its engagement by the Company.

APPENDIX “C”
MANAGEMENT’S REPRESENTATION LETTER
REGARDING CASH FLOW FORECAST

See attached.



Alvarez & Marsal Canada Inc.
200 Bay Street, Suite 3501
Toronto ON 15J 2J1

Attention: Mr. Joshua Nevsky

January 6, 2024

Dear Sirs:

Re: Comark Holdings Inc., Ricki's Fashions Inc., cleo fashions Inc. and Bootlegger Clothing Inc. (together, the "Comark Group", or the "Applicants") - CCAA section 10(2) Prescribed Representations with Respect to Cash Flow Forecast

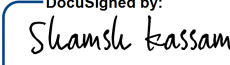
In connection with the application by the Comark Group for the commencement of proceedings under the *Companies' Creditors Arrangement Act*, the management of Comark Group have prepared the attached 10-day projected cash flow statement for the period January 7, 2025 to January 17, 2025 (the "**Cash Flow Forecast**") and the list of assumptions on which the Cash Flow Forecast is based. The purpose of the Cash Flow Forecast is to determine the liquidity requirements of the Comark Group during the initial 10-day period of the CCAA proceedings.

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

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

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

Yours truly,

DocuSigned by:

347E853EA433494...
Per: Shamsh Kassam
Chief Executive Officer, Comark Group

**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-25-00734339-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**PRE-FILING REPORT OF THE
PROPOSED MONITOR**

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Lawyers for the Proposed Monitor

APPENDIX “B”
Updated Cash Flow Forecast

See attached.

Comark Group (Consolidated)
Cash Flow Forecast
(000's CAD)

	Notes	<i>Week 1</i> Jan 18	<i>Week 2</i> Jan 25	<i>Week 3</i> Feb 01	<i>Week 4</i> Feb 08	<i>Week 5</i> Feb 15	<i>Week 6</i> Feb 22	<i>Week 7</i> Mar 01	<i>Week 8</i> Mar 08	<i>Week 9</i> Mar 15	<i>Week 10</i> Mar 22	<i>Week 11</i> Mar 29	<i>Week 12</i> Apr 05	<i>Week 13</i> Apr 12	<i>Week 14</i> Apr 19	<i>Week 15</i> Apr 26	<i>Week 16</i> May 03	<i>Week 17</i> May 10	<i>Week 18</i> May 17	18-Week TOTAL
Receipts	1	4,439	3,030	3,878	5,294	5,869	6,607	6,178	5,725	6,837	7,431	7,184	6,785	4,878	2,031	1,022	-	-	-	77,186
Disbursements																				
Payroll	2	1,583	498	1,286	426	1,321	426	1,245	440	1,246	424	1,145	429	1,180	475	1,861	-	-	-	13,983
Rent	3	-	1,129	1,250	357	1,250	335	1,250	291	1,250	382	-	1,113	-	749	-	33	-	-	9,390
Sales Tax Payable		-	-	-	-	-	-	1,027	-	-	-	1,921	-	-	-	2,232	-	-	1,123	6,303
Liquidation Fees	4	475	346	-	753	287	536	287	525	287	572	287	561	287	287	154	-	-	-	5,644
Warehouse & Corporate	5	-	850	-	950	475	475	475	475	475	250	200	200	200	200	200	-	-	-	5,425
Duties, Freight & Shipping	6	588	613	1,022	411	447	220	765	116	105	105	158	105	105	105	-	-	-	-	4,866
Professional Fees		-	500	-	600	-	600	-	500	-	500	-	500	-	-	372	-	-	-	3,572
Utilities, Maintenance & Other	7	777	580	180	80	130	521	65	165	65	65	(195)	116	40	40	40	(500)	200	-	2,366
Merchandise	8	1,000	500	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,000
Credit Card Fees		-	-	377	-	-	-	281	-	-	-	-	434	-	-	178	13	-	-	1,283
Store Retention		-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000	-	-	-	1,000
Interest & Fees		-	45	-	229	-	42	-	193	-	-	-	117	-	-	-	281	-	-	907
Total Disbursements		4,423	5,060	4,615	3,806	3,910	3,155	5,395	2,705	3,428	2,298	3,515	3,574	1,812	1,855	6,035	(172)	200	1,123	56,738
Net Cash Flow		16	(2,030)	(737)	1,487	1,959	3,452	783	3,020	3,409	5,134	3,668	3,211	3,066	175	(5,013)	172	(200)	(1,123)	20,448
<u>Cash & Borrowings</u>																				
Cash on Hand		100	100	100	100	100	100	100	100	100	100	100	2,118	5,184	5,359	346	519	319	-	
Pre-filing Revolver																				
Opening Balance		21,352	21,337	17,707	13,829	8,535	2,666	-	-	-	-	-	-	-	-	-	-	-	-	
Interim Borrowing / (Repayments)		(16)	(3,630)	(3,878)	(5,294)	(5,869)	(2,666)	-	-	-	-	-	-	-	-	-	-	-	-	
Ending Revolver		21,337	17,707	13,829	8,535	2,666	-	-	-	-	-	-	-	-	-	-	-	-	-	
DIP Financing																				
Opening Balance		-	-	5,660	10,275	14,082	17,992	17,206	16,424	13,404	9,995	4,861	1,193	-	-	-	-	-	-	
Additional Draws		-	5,660	4,615	3,806	3,910	3,155	5,395	2,705	3,428	2,298	3,515	3,574	1,812	1,855	6,035	(172)	200	1,123	
Repayments		-	-	-	-	-	(3,941)	(6,178)	(5,725)	(6,837)	(7,431)	(7,184)	(4,767)	(1,812)	(1,855)	(6,035)	172	(200)	(319)	
Ending DIP Balance		-	5,660	10,275	14,082	17,992	17,206	16,424	13,404	9,995	4,861	1,193	-	-	-	-	-	-	804	
Net Debt Balance		21,237	23,267	24,004	22,517	20,558	17,106	16,324	13,304	9,895	4,761	1,093	(2,118)	(5,184)	(5,359)	(346)	(519)	(319)	804	

Comark Group
Cash Flow Forecast
Notes and Summary of Assumptions

Disclaimer

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

1) Collections

Includes receipts from the sale of goods through retail stores and e-comm. The Sale is forecast to commence on January 17, 2025, subject to Court approval of the Consulting Agreement and Sale Guidelines.

2) Payroll

Includes payroll, benefits and taxes during the Sale Term.

3) Rent

Includes payments required to operate the stores during the Sale Term including rents and property taxes. Starting February 15, rent is forecast to be paid in equal instalments on the first and fifteenth of each month. Percentage rent amounts are forecast to be paid bi-weekly, one week in the arrears.

4) Liquidation Fees

Includes estimated fees to the Consultant pursuant to the Consulting Agreement.

5) Warehouse & Corporate

Includes estimated costs for warehousing, logistics and corporate support services, including amounts paid to Parian (a related party).

6) Duties, Freight & Shipping

Includes estimated fees to import and ship merchandise to retail stores and customers.

7) Utilities, Maintenance & Other

Includes utilities and maintenance, IT costs and other miscellaneous expenses.

8) Merchandise

Includes payments to overseas vendors to release in-transit merchandise. See Section 7 of the Monitor’s First Report.

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

Court File No.: CV-25-00734339-00CL

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**
Proceeding commenced at Toronto

FIRST REPORT OF THE MONITOR

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