

This is the 10th affidavit of
D. Gumprich in this case and was
made on December 4, 2012

No. S-117081
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

AND

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

AND

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

PETITIONERS

AFFIDAVIT

I, **Daniel Gumprich**, Chartered Accountant and Chartered Business Valuator, of 1650-400 Burrard Street, Vancouver, British Columbia, AFFIRM THAT:

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

The Claims Process

3. With the assistance of the Monitor, the Company is continuing to analyze and seek a resolution to the outstanding claims under the claims process.
4. A summary of the key events of the claims process is as follows:
 - (a) 643 Proofs of Claims were submitted (collectively, the “**Claims**”);
 - (b) 222 Notices of Disallowance or Revision were issued; and
 - (c) 60 Notices of Dispute were submitted.
5. A number of the Claims were disallowed on the basis that they contained insufficient information to substantiate the Claims or their value. In other cases, Notices of Revision were issued to creditors setting out the revised amount the Company was prepared to accept for such creditor’s Claims. In either case, creditors were notified of their right to file a Notice of Dispute.
6. As outlined above, 60 Notices of Dispute have been filed, all of which have been reviewed by the Company and the Monitor. 45 of the Notices of Dispute relate to Claims filed by landlords in respect of the disclaimer of leasing agreements (the “**Landlord Disputes**”). The overwhelming majority of the Landlord Disputes resulted from the submission by certain landlords (the “**Subject Landlords**”) of Proofs of Claim claiming losses equal to the full amount which would be due pursuant to the terms of the applicable lease on the assumption the premises could not be re-let to the end of the lease term.
7. The Company and the Monitor were of the view that there was insufficient information in the Subject Landlords’ Proofs of Claim to analyze and evaluate their Claims, including whether they could mitigate their losses. As a result, the Monitor delivered a letter to each Subject Landlord (the “**Landlord Information Letter**”) requesting certain additional information from regarding their Claim.
8. The Landlord Information Letters were sent on or around October 10, 2012 and requested that the additional information be provided to the Monitor by October 19, 2012. Attached hereto and marked as **Exhibit “A”** is a sample redacted Landlord Information Letter.

9. A significant number of the Subject Landlords did not provide their responses until November 2012. As a result, the Company and the Monitor are continuing to review the information provided by the Subject Landlords with a view to resolving the Landlord Disputes.

Request for Interim Distribution

10. The Company has received requests from a group of trade creditors for a distribution of proceeds pending a final resolution of all outstanding disputed Claims.

11. The Company believes that it is appropriate to make one or more distributions at this time given that the overwhelming majority of Claims have been accepted or resolved and it is unclear when the Landlord Disputes will be resolved.

12. The Company and the Monitor have discussed the amount available to be distributed pursuant to a distribution order. That amount may vary from week to week, as disputed Claims are resolved. Accordingly, in order to provide an appropriate level of flexibility, and to avoid unnecessary court applications, the Company is seeking authorization to make one or more distributions to creditors having Allowed Claims (as such term is described in the Order of the Court, dated April 2, 2012 (the “**Claims Process Order**”)) against Sterling Shoes GP Inc. and Sterling Shoes Limited Partnership.

13. The Company will at all times retain sufficient funds to, among other things:

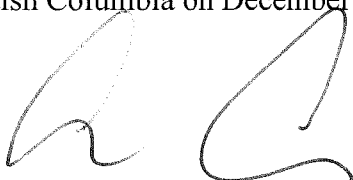
- (a) make *pro rata* distributions to holders of disputed Claims based on (i) the full amount of those Claims as set forth in the holders’ Proofs of Claim, and (ii) the total amount available for distribution to all creditors; and
- (b) pay all outstanding and anticipated administration costs.

14. The Monitor will be filing a report discussing the outstanding disputed Claims in further detail and the potential distribution amounts (both interim and final) based on the current status of the claims process.


General

15. The Company is not aware of any claims for unpaid wages as all employees were paid their wages, including vacation pay, following the termination of their employment. The Company is current with its obligations to the Canada Revenue Agency.

AFFIRMED BEFORE ME at Vancouver,)
British Columbia on December 4, 2012.)



_____)
A Commissioner for taking Affidavits for)
British Columbia)



Daniel Gumprich

Andrew Crabtree
Barrister & Solicitor
BLAKE, CASSELS & GRAYDON LLP
Suite 2600, Three Bentall Centre
595 Burrard St., P.O. Box 49314
Vancouver, B.C. V7X 1L3
(604) 631-4159



Alvarez & Marsal Canada Inc.
400 Burrard Street
Suite 1680, Commerce Place
Vancouver, BC V6C 3A6
Phone: +1 604 638 7440
Fax: +1 604 638 7441

October 10, 2012

VIA REGISTERED MAIL

[Redacted address lines]

Attention: [Redacted name]

Dear Sirs/Mesdames:

Re: **In the Matter of Sterling Shoes Inc. et al**
BCSC Action No. S117081, Vancouver Registry
Disputed Claim

We write in our capacity as court-appointed monitor (the "Monitor") of the Petitioners and Sterling Shoes Limited Partnership (collectively, "Sterling") in the above-referenced proceedings and in relation to the premises located at [Redacted address], [Redacted address].

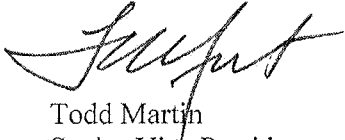
As Monitor, we are seeking to assist Sterling with the resolution of outstanding dispute claims, including your claim. In that regard, it would be beneficial to have a better understanding of your claim and the bases for it. To that end, we have prepared a standard form, a copy of which is enclosed herewith, that enumerates the information we require to better evaluate your claim. We ask that you kindly complete the enclosed form (one for each premises if you have claimed in respect of more than one premises) and return it to us by October 19, 2012.

Thank you for your anticipated cooperation. Please feel free to contact Callum Beveridge on 604.638.7447 or cbeveridge@alvarezandmarsal.com if you have any questions regarding the claims process or the form.

This is Exhibit "A" referred to in the affidavit of Daniel Gumpich sworn before me at Vancouver, BC this 4th day of December, 2012.
[Signature]
A Commissioner for taking Affidavits for British Columbia

Sincerely,

Alvarez & Marsal Canada Inc.,
in its capacity as Monitor of Sterling Shoes Inc. and Sterling Shoes GP Inc.



Todd Martin
Senior Vice President

cc: Peter Rubin – Blake, Cassels & Graydon
Daniel Gumprich, Sterling Shoes



**ADDITIONAL INFORMATION REGARDING
CLAIM OF LANDLORD AGAINST STERLING SHOES INC.,
STERLING SHOES GP INC. AND/OR STERLING SHOES LIMITED PARTNERSHIP**

(hereinafter referred to collectively as the "Petitioner Parties")

Note: The defined terms contained in this information request are described in the Landlord Proof of Claim Instruction Letter which is available on the Monitor's website – www.amcanadadocs.com/sterling

1. Particulars of Landlord

Full Legal Name of Landlord:	
Location of Premises:	

2. Particulars of Lease with the Petitioner Parties

LEASE TERMS

a) Base Rent Information

Please complete the table below outlining Base Rent from October 21, 2011 through to the expiry of the Lease term. Claims on account of rent arrears owing as at October 21, 2011 should not be included in this form. The Base Rent and Lease Terms provided should exclude options to renew at the discretion of the tenant.

From (Month/Day/Year)	To (Month/Day/Year)	Base Monthly Rent (\$Cdn)
October 21, 2011		

Final date Lease to expire: _____

(If your Lease payments are denominated in a foreign currency, they will be converted to Canadian dollars at the exchange rate of the Bank of Canada as at October 21, 2011.)

- 2 -

b) Additional Rents

Please complete the items below, **only if they are specifically provided for in the Lease as Additional Rents**, and provide a copy of the applicable section of the Lease which demonstrates these charges constitute a component of Additional Rents. Please also indicate whether these amounts are charged on a monthly or annual basis and attach supporting documentation. Please note that realty taxes should be based on 2011 Final Tax Bill. If this information is not available, the actual realty taxes charged in the previous year should be provided with supporting documentation. If the Lease does not fix the amount charged for Common Area Maintenance, the amount invoiced for most recent 12-month period should be provided.

Additional Rents	Monthly Charge (if applicable)	Annual Charge (if applicable)
Realty Taxes		
Common Area Maintenance		
Other (please specify nature of additional rents) _____ _____ _____		

c) Damage/repair costs

Description of any physical damages, including estimates of repair costs, caused by any of the Petitioner Parties or their agent(s) abandoning any leased premises, and/or the removal of any signage or other equipment after October 21, 2011. Physical damages not caused by any of the Petitioner Parties or its agent or which pre-dated October 21, 2011 should be excluded:

Please include invoices and other relevant documents to support any claim for damages/repair.

3. Particulars of any new lease entered into or efforts to re-let the premises

Date on which the Premises were re-let or alternatively please provide an estimate of the time required to re-let premises (include basis of such estimate):

(a) Details of new lease

If the premises have been re-let, please complete the following tables below outlining Base Rent and Additional Rents from the date the premises were re-let through to the expiry of the Lease term.

From (Month/Day/Year)	To (Month/Day/Year)	Base Monthly Rent (\$Cdn)
Date of lease		

Final date Lease to expire: _____

Additional Rents (if different from the original lease)	Monthly Charge (if applicable)	Annual Charge (if applicable)
Realty Taxes		
Common Area Maintenance		
Other (please specify nature of additional rents)		

Please provide a copy of the new lease and details of any tenant inducements provided.

(b) Details of efforts to re-let the premises

If the premises have not been re-let, please provide the following additional documents to support your claim:

- Date the premises were advertised for re-letting
- Materials supporting the estimated time frame to re-let
- Copy of leasing information package sent to prospective tenants
- Name and contact of the leasing agent

This form must be delivered by prepaid registered mail, personal delivery, e-mail, courier or facsimile transmission at the following addresses **by no later than 5:00 p.m. (Vancouver time) on October 19, 2012:**

Alvarez & Marsal Canada Inc.
 Court-appointed Monitor of Sterling Shoes Inc. et al
 400 Burrard Street, Suite 1680
 Vancouver, British Columbia V6C 3A6
 Attention: Callum Beveridge

Telephone: 604 638 7447
 Fax: 604 638 7441
 Email: ssiclaims@alvarezandmarsal.com

DATED this _____ day of _____, 2012.

Witness:

Per: _____

Print name of Landlord:

If Landlord is other than an individual, print name and title of authorized signatory

Name: _____

Title: _____