

**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.

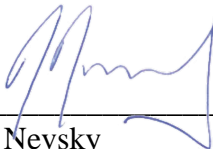
- 10.4 Given the Applicants' liquidity and funding constraints, the Monitor expects that the circumstances in which the Applicants will be in a position to pay pre-filing arrears will be very limited.

11.0 CONCLUSIONS AND RECOMMENDATIONS

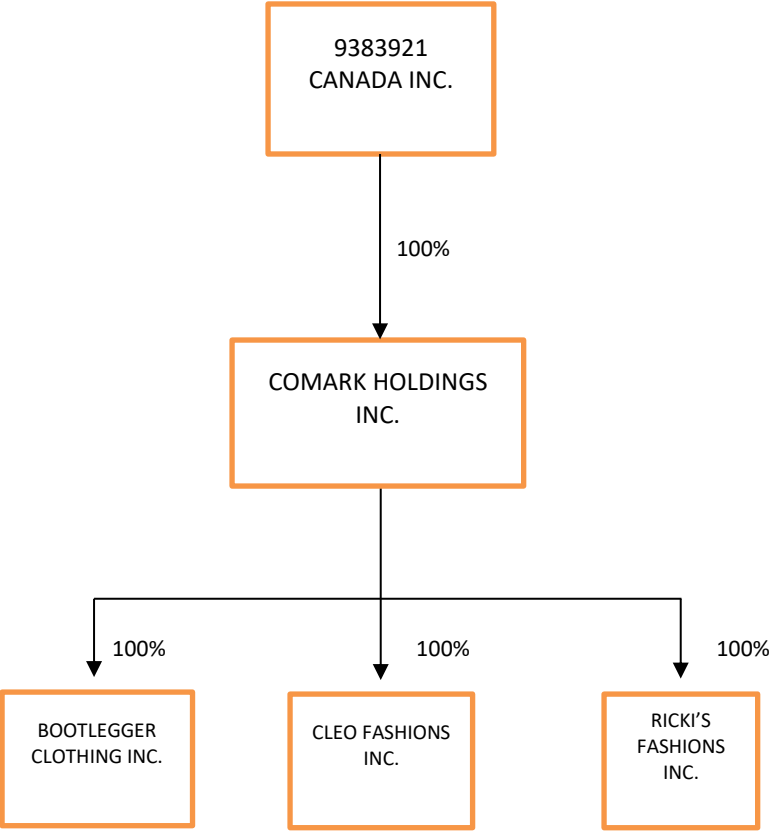
- 11.1 For the reasons set out in this Report, if the Court is satisfied that the Applicants are companies to which the CCAA applies, the Proposed Monitor is of the view that the relief requested by the Applicants in the proposed Initial Order is reasonable, appropriate and necessary having regard to 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

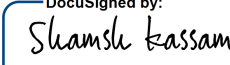
In connection with the application by the Comark Group for the commencement of proceedings under the *Companies' Creditors Arrangement Act*, the management of Comark Group have prepared the attached 10-day projected cash flow statement for the period January 7, 2025 to January 17, 2025 (the "**Cash Flow 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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