

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

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

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

**SECOND REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

JANUARY 31, 2025

TABLE OF CONTENTS

1.0	INTRODUCTION.....	1
2.0	PURPOSE OF THIS REPORT	3
3.0	TERMS OF REFERENCE AND DISCLAIMER	6
4.0	OVERVIEW OF PROPOSED TRANSACTIONS.....	7
5.0	THE PUTMAN TRANSACTION	11
6.0	SALE PROCESS AND STALKING HORSE TRANSACTION	21
7.0	DEBT ASSIGNMENTS.....	28
8.0	CASH FLOW RESULTS RELATIVE TO FORECAST	30
9.0	UPDATED CASH FLOW FORECAST	32
10.0	CONCLUSIONS AND RECOMMENDATIONS.....	35

APPENDICES

Appendix “A” – Letter from Putman Investments to the Monitor

Appendix “B” – Process Letter

Appendix “C” – Updated Cash Flow Forecast for the Period Ending March 15, 2025

1.0 INTRODUCTION

- 1.1 On January 7, 2025, 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. 9383921 Canada Inc. (“**ParentCo**”) owns 100% of the shares of Comark and is not an Applicant in these CCAA Proceedings.
- 1.3 Additional information regarding the Comark Group and the circumstances leading to the CCAA Proceedings are set out in the Pre-Filing Report of the Proposed Monitor dated January 6, 2025 (the “**Pre-Filing Report**”) and the First Report of the Monitor dated January 16, 2025 (the “**First Report**”). The Pre-Filing Report, the First Report and other Court-filed documents in the CCAA Proceedings are available on the Monitor’s case website at: <https://www.alvarezandmarsal.com/ComarkRetail>.

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 for the period to and including January 17, 2025 (the “**Initial Stay Period**”);
- (c) authorized Comark to obtain interim funding from its senior secured lender, Canadian Imperial Bank of Commerce (“**CIBC**”), during the Initial Stay Period; and
- (d) granted an Administration Charge, an Interim Lender’s Charge and a Directors’ Charge (each as defined in the Initial Order) over the assets, property and undertakings of the Applicants (the “**Property**”).

1.5 At the comeback hearing held on January 17, 2025 (the “**Comeback Hearing**”), the Court granted an Amended and Restated Initial Order (the “**ARIO**”) which, among other things:

- (a) extended the stay of proceedings to and including May 15, 2025 (the “**Stay Period**”);
- (b) approved the DIP Term Sheet (as defined in the ARIO) between the Applicants and CIBC (in such capacity, the “**DIP Lender**”) and granted the DIP Lender’s Charge over the Applicants’ Property as security for advances under the revolving credit facility governed by the DIP Term Sheet (the “**DIP Facility**”);
- (c) increased the quantum of the Administration Charge and the Directors’ Charge; and

- (d) authorized 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 some or all of the business or assets of the Applicants (a “**Transaction**”).

1.6 At the Comeback Hearing, the Court also granted a Realization Process Approval Order that, among other things:

- (a) approved the Consulting Agreement dated as of January 14, 2025 (the “**Consulting Agreement**”) between the Applicants and Tiger Asset Solutions Canada, ULC (the “**Consultant**”); and
- (b) authorized the Applicants, with the assistance of the Consultant, to conduct a sale (the “**Liquidation 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.

2.0 PURPOSE OF THIS REPORT

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

- (a) the Applicants’ motion for an order (the “**Approval and Vesting and DIP Assignment Order**”), among other things: (i) approving an asset purchase

agreement (the “**Putman APA**”) between 10011110197 Ontario Inc. (an affiliate of 2625229 Ontario Inc. (operating as Putman Investments)), as purchaser (the “**Putman Purchaser**”), and Ricki’s and cleo, as vendors, pursuant to which the Putman Purchaser will purchase merchandise, FF&E, intellectual property rights and certain real property leases owned by Ricki’s and cleo (the “**Putman Transaction**”); (ii) transferring to and vesting in the Putman Purchaser all of the applicable vendor’s right, title and interest in and to the purchased assets under the Putman APA free and clear of all Claims and Encumbrances (each as defined in the proposed Approval and Vesting and DIP Assignment Order) other than assumed liabilities and permitted encumbrances under the Putman APA; (iii) assigning certain retail store leases of Ricki’s and cleo to the Putman Purchaser pursuant to section 11.3 of the CCAA, subject to certain conditions being satisfied (as described below); and (iv) approving the transfer and assignment by CIBC to ParentCo of all of its rights, interests and obligations as DIP Lender under and pursuant to the DIP Term Sheet and the ARIO (the “**DIP Assignment**”);

- (b) the Applicants’ motion for an order (the “**Stalking Horse Sale Process Approval Order**”), among other things: (i) approving the form of sale process letter prepared by the Monitor (the “**Process Letter**”) setting out the key milestones and bid requirements in respect of a sale process (the “**Sale Process**”) to be conducted by the Monitor for the remaining business and assets of the Applicants that are not sold in the Putman Transaction (the “**Remaining Business**”); (ii) approving the execution of a term sheet dated January 27, 2025 (the “**Stalking Horse Term Sheet**”) between the Applicants and Warehouse One Clothing Ltd. (“**Warehouse**

One”), with respect to a transaction under which Warehouse One or one of its affiliates (the “**Stalking Horse Purchaser**”) would acquire Bootlegger’s business and certain tax attributes and other assets of the Comark Group through a reverse vesting transaction (the “**Stalking Horse Transaction**”), which will serve as a stalking horse bid for the Sale Process; and (iii) authorizing the Applicants to negotiate and finalize a definitive agreement of purchase and sale with the Stalking Horse Purchaser (the “**Stalking Horse Purchase Agreement**”) substantially on the terms set out in the Stalking Horse Term Sheet;

- (c) the DIP Assignment and the related assignment by CIBC to ParentCo of all of the outstanding indebtedness owing by the Applicants under the CIBC Revolving Loan Facility and the CIBC Term Loan Facility (the “**Pre-Filing Debt Assignment**”, together with the DIP Assignment, the “**Debt Assignments**”), which are to occur concurrently with the closing of the Putman Transaction;
- (d) the Applicants’ intended timeline for the liquidation and disclaimer of the remaining Liquidating Stores that will not become Assumed Leases under the Putman Transaction or Acquired Leases under the Stalking Horse Transaction;
- (e) the Applicants’ cash flow results for the two-week period ended January 25, 2025;
- (f) the Applicants’ updated cash flow forecast for the period ending March 15, 2025 (the “**Updated Cash Flow Forecast**”); and
- (g) the Monitor’s conclusions and recommendations in connection with the foregoing.

3.0 TERMS OF REFERENCE AND DISCLAIMER

3.1 In preparing this Second 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 Second 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 Second Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

3.2 Future oriented financial information referred to in this Second 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 Second Report should be read in conjunction with the Affidavit of Shamsh Kassam sworn January 30, 2025 (the “**Third Kassam Affidavit**”) and filed in support of the Applicants’ motion. Capitalized terms used and not defined in this Second Report have the meanings given to them in the Third Kassam Affidavit, as applicable.

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

4.0 OVERVIEW OF PROPOSED TRANSACTIONS

4.1 As described further below, the Applicants are seeking approval of each of the Putman Transaction, the Sale Process and the related Stalking Horse Transaction (to act as a stalking horse bid in the Sale Process), and the DIP Assignment, as an integrated and comprehensive restructuring intended to maximize value, continue a material portion of the Applicants’ business on a going concern basis, and preserve employment and retail store locations across Canada.

4.2 The following is a high-level summary of the proposed restructuring transactions:

- (a) under the Putman Transaction, the Putman Purchaser will: (i) acquire all of the merchandise, FF&E and intellectual property of Ricki’s and cleo; (ii) subject to payment of cure costs and/or consensual resolution with landlords, assume up to 111 Ricki’s and cleo retail store leases; (iii) offer employment to certain of the retail level employees at the stores relating to the Assumed Leases; and (iv) pursuant to a transition services agreement or arrangement (the “**TSA**”), pay or reimburse certain costs associated with the transition of the purchased assets and

the completion of the liquidation of the Liquidating Stores operated by Ricki's and cleo. Subject to Court approval and the satisfaction of other conditions under the Putman APA, the target closing date for the Putman Transaction is February 7, 2025 (subject to extension by the Putman Purchaser, in its discretion, up to a maximum of 10 days, beyond which any further extension will require the consent and agreement of Ricki's and cleo);

- (b) the cash proceeds paid by the Putman Purchaser, which are expected to be approximately \$12.8 million, will be used to pay down the CIBC Revolving Loan Facility and the DIP Facility (in that order), in accordance with the mandatory payment provisions contained in the DIP Term Sheet;
- (c) concurrently with the completion of the Putman Transaction, CIBC will assign to ParentCo all of the then outstanding indebtedness owing by the Applicants under the DIP Facility, the CIBC Revolving Loan Facility and the Term Loan Credit Facility at closing (collectively, the **"Outstanding Senior Secured Indebtedness"**), together with related documentation and security interests. For greater certainty, the Outstanding Senior Secured Indebtedness excludes the outstanding indebtedness of the Applicants under the BCAP Facility;
- (d) under the Stalking Horse Transaction, the Stalking Horse Purchaser (who is an affiliate of the Applicants and ParentCo) would, through a reverse vesting transaction involving the acquisition of the shares of all or certain of the Applicants:
 - (i) acquire all of the merchandise, FF&E and intellectual property of Bootlegger and certain other assets of the Comark Group;
 - (ii) retain not less than 25 Bootlegger

retail store leases; and (iii) offer employment to certain of the retail level employees at the retained Bootlegger stores together with other divisional employees. The purchase price under the Stalking Horse Transaction is a cash payment equal to the Outstanding Senior Secured Indebtedness on closing and the assumption of retained liabilities. As shown in the Updated Cash Flow Forecast, it is projected that the Outstanding Senior Secured Indebtedness will be in the range of \$6.0 million to \$6.5 million during the period from March 1, 2025 to March 15, 2025 (being the anticipated timeframe for closing the Stalking Horse Transaction should it be the successful bid in the Sale Process and approved by the Court);

- (e) the Stalking Horse Transaction will serve as a stalking horse bid in the Sale Process, under which the Monitor and the Applicants will solicit interest in transactions for the Remaining Business. Under the Sale Process, parties interested in pursuing a transaction in respect of the Remaining Business will be required to submit non-binding expressions of interest by no later than February 20, 2025. The Applicants will return to Court promptly following the completion of the Sale Process to seek approval of the Stalking Horse Transaction, or in the alternative, the successful bid(s) resulting from the Sale Process; and
- (f) on closing of the Putman Transaction (if approved by the Court), the Applicants intend to issue 30-day lease disclaimer notices for each of the Liquidating Stores not included in the Putman Transaction or the Stalking Horse Transaction (or to allow such leases to expire in accordance with their terms if the remaining term is less than 30 days). The Applicants and the Monitor, in consultation with the Consultant, the Putman Purchaser and the Stalking Horse Purchaser (to the extent

that it is the successful bidder in the Sale Process), will seek to maximize the value of the merchandise at the Liquidating Stores through continued liquidation or through the transfer of such merchandise to stores that will continue as going concern operations.

- 4.3 The Putman Transaction and the Stalking Horse Transaction are supported by CIBC, the Applicants' pre-filing senior secured lender and DIP Lender as at the date of this Second Report, provided that the Debt Assignments are completed concurrently with the closing of the Putman Transaction. The proceeds from the Putman Transaction and the Debt Assignments will result in CIBC receiving payment in full of the Outstanding Senior Secured Indebtedness and ParentCo becoming the DIP Lender and senior secured creditor of the Applicants.
- 4.4 The BCAP Facility, which is governed by the Pre-Filing Credit Agreement and has an outstanding principal balance of \$6.25 million, will not be assigned to ParentCo under the Pre-Filing Debt Assignment. As described in the Pre-Filing Report, the BCAP Facility is partially guaranteed by Export Development Canada ("**EDC**") in accordance with the terms of a guarantee between CIBC and EDC (the "**EDC Guarantee**"). EDC has provided a formal consent to the Putman Transaction and the Stalking Horse Transaction and has agreed to irrevocably waive and release all subrogation rights it may have against the Applicants under the EDC Guarantee or at law on closing of the Debt Assignments.

5.0 THE PUTMAN TRANSACTION

Development of the Putman Transaction

- 5.1 Following the commencement of the CCAA Proceedings, a number of parties, including the Putman Purchaser, contacted the Applicants or the Monitor to express an interest in acquiring certain assets and businesses of the Applicants. The Monitor and the Applicants:
- (a) engaged in discussions with each of those interested parties with respect to the scope, structure and timing of potential transaction opportunities, including the need for any transactions to be negotiated and completed on an expedited basis given the Applicants' liquidity constraints and the resulting need to commence the Liquidation Sale immediately following the Comeback Hearing; and
 - (b) established an electronic data room, which was populated with financial, operational and real estate information to allow interested parties to perform due diligence on the Applicants' business and assets (the "**Data Room**").
- 5.2 The Second Kassam Affidavit filed by the Applicants in respect of the Comeback Hearing indicated that: (a) the Applicants had received outreaches and expressions of interest from several interested parties regarding the acquisition of certain of the Applicants' business and assets; and (b) the Applicants, with the assistance of the Monitor, were seeking authority in the ARIO to pursue a Transaction in consultation with the DIP Lender. The Second Kassam Affidavit also indicated that the Monitor would engage in discussions with interested parties forthwith following the granting of the ARIO and, depending on the level and nature of interest expressed, may either establish bid procedures or directly negotiate a Transaction with a potential acquirer in lieu of a formal sale process. The authority of the Applicants and the Monitor to pursue a potential Transaction, concurrently with initiating

the Liquidation Sale, was approved pursuant to paragraph 12(f) of the ARIO granted by the Court.

- 5.3 Following the granting of the ARIO, the Monitor contacted interested parties (including the parties that had contacted the Applicants and the Monitor following the granting of the Initial Order and other parties known to the Monitor with a potential interest in retail business transactions of a similar nature) to ascertain their interest in a potential Transaction on the expedited timelines necessitated by the Applicants' circumstances. Parties that were interested in pursuing a potential Transaction were required to execute a non-disclosure agreement (an "**NDA**") and were thereafter given access to the Data Room.
- 5.4 While a number of interested parties executed an NDA and obtained access to the Data Room, the Putman Purchaser was the only party that submitted an offer in respect of the assets of Ricki's and cleo. Accordingly, the Applicants, in consultation with the Monitor, the DIP Lender and ParentCo, engaged in accelerated negotiations with the Putman Purchaser with respect to the terms of the Putman Transaction. Following the exchange of a number of draft proposals with respect to the transaction terms, the Applicants and the Putman Purchaser, with the consent of the DIP Lender, executed a binding letter of intent on January 29, 2025, with respect to the Putman Transaction (the "**Putman Term Sheet**"). A copy of the Putman Term Sheet is attached as Exhibit "C" to the Third Kassam Affidavit.
- 5.5 The Putman Purchaser is an affiliate of 2625229 Ontario Inc., which operates as Putman Investments. Putman Investments owns and operates retail brands like Toys "R" Us Canada, Babies "R" Us Canada, Sunrise Records, For Your Entertainment Ltd., Northern Reflections Ltd., and HMV. Attached hereto as **Appendix "A"** is a letter from the Putman

Purchaser to the Monitor describing the Putman Purchaser's financial wherewithal and ability to perform its obligations under the Assumed Leases.

Key Terms of the Putman Transaction

5.6 The agreed terms of the Putman Transaction are contained in the Putman Term Sheet and described in detail in the Third Kassam Affidavit. As of the date of this Second Report, the parties are working to finalize the Putman APA that will govern the Putman Transaction and incorporate the key terms and conditions contained in the Putman Term Sheet. The Applicants intend to serve and file the executed Putman APA in advance of the Court hearing on February 4, 2025.

5.7 The following table sets out the key terms of the Putman Transaction set forth in the Putman Term Sheet:

Key Terms of Putman Transaction ¹	
Parties	<ul style="list-style-type: none"> • Ricki's and cleo (the "Targets") • 10011110197 Ontario Inc. (the "Putman Purchaser")
Purchase Price	<ul style="list-style-type: none"> • The aggregate purchase price for the Purchased Assets is \$0.64 for each \$1.00 of the Targets' Merchandise. • Based on the Targets' expected Merchandise levels at Closing, the Monitor anticipates that the aggregate Purchase Price will be approximately \$12.8 million. • The Putman Purchaser has paid a \$3 million deposit to the Monitor (the "Deposit"). On Closing, the Putman Purchaser will pay the balance of the Purchase Price in cash. The Deposit is non-refundable in certain circumstances where any failure to close is caused by the Putman Purchaser.
Purchased Assets	<ul style="list-style-type: none"> • The Purchased Assets consist of the following assets, on an "as is, where is" basis: <ul style="list-style-type: none"> (a) all inventory and merchandise owned by and in possession of the Targets, wherever located (as defined in the Putman Term Sheet, the "Merchandise");

¹ Capitalized terms used and not defined in this table have the meanings given to them in the Putman Term Sheet.

Key Terms of Putman Transaction ¹	
	<ul style="list-style-type: none"> (b) all owned furnishings, trade fixtures and equipment, machinery, office supplies and other personal property and fixed assets (collectively, the “FF&E”) located in the Targets’ leased locations in Canada (the “Target Stores”); (c) all intellectual property owned by the Targets, wherever located, including rights in and to trademarks, copyrights, trade names, domain names and customer lists; and (d) certain of the Targets’ retail real property leases (the “Assumed Leases”).
Assumed Leases	<ul style="list-style-type: none"> • The Putman Purchaser has confirmed that it is prepared to take an assignment of certain Target Store leases, subject to reaching acceptable arrangements with the applicable landlords. • At Closing, the Putman Purchaser will assume all liabilities relating to any Assumed Leases, including the assumption of any cure costs for amounts of rent or otherwise (unless otherwise waived by the applicable landlord) payable in connection with the assignment of such Assumed Leases. • The Putman Purchaser shall ensure that the permitted uses outlined in the Assumed Leases are maintained and adhered to from and after the Closing Date.
Transferring Employees	<ul style="list-style-type: none"> • The Putman Purchaser will offer employment to certain of the Targets’ retail level employees currently employed at the Target Stores governed by Assumed Leases (the “Go-Forward Stores”), on substantially the same employment terms and conditions that such employees have with their respective Target employer. The offers will recognize employees’ original dates of service and provide for continued employment commencing on the Closing Date.
Transition Services Agreement	<ul style="list-style-type: none"> • For the period commencing on the Closing Date and ending on a date not more than 120 days from the Closing Date to be determined by the parties (the “Transition Period”), the Putman Purchaser will enter into a TSA pursuant to which the Putman Purchaser will agree to pay, reimburse or cover certain costs and expenses during the Transition Period, including: <ul style="list-style-type: none"> (a) all lease payments and other operating costs related to operating the Liquidating Stores; (b) all Employee Costs for the retail level employees of the Liquidating Stores, together with all Employee Costs for Non-Transferring Employees until the closure of the applicable Liquidating Store; (c) all shipping costs, freight and duties associated with any in-transit Merchandise and moving any Merchandise to the Go-Forward Stores or such other location(s) as the Putman Purchaser may request; (d) costs associated with credit card fees, banking fees and shared services costs relating to IT and POS equipment, subject to a weekly cap amount to be agreed to by the Putman Purchaser and the Targets; (e) the costs associated with running the Warehouse and the corporate overhead costs incurred by Parian related to the services provided by Parian to the Targets during the Transition Period, provided that the costs for the initial 30-day period (and any other 30-day extension period at the election of the Putman Purchaser) shall each not exceed \$1 million; (f) all costs under the Consulting Agreement associated with the Targets’ Liquidating Stores; (g) an allocation of the professional fees of the Monitor and its counsel; and (h) all sales or transfer taxes payable in connection with the TSA Costs. • Cash proceeds from the sale of Merchandise that occurs during the Transition Period, net of the TSA Costs, shall be the property of the Putman Purchaser. On a weekly basis, the Monitor will remit net proceeds to the Putman Purchaser, after accounting for the applicable TSA Costs for such week and a reasonable reserve to be agreed between the Targets, the Putman Purchaser and the Monitor.

Key Terms of Putman Transaction ¹	
Conditions	<ul style="list-style-type: none">The Parties' obligations to close the transaction will be subject to customary conditions, including: (a) execution of the Putman APA and ancillary agreements; (b) the receipt of any regulatory approvals (which are not anticipated to be required); and (c) the granting of the Approval and Vesting and DIP Assignment Order.
Closing Date	<ul style="list-style-type: none">The Parties will endeavour to achieve Closing of the Transaction by February 7, 2025 or as otherwise extended by the Putman Purchaser, up to a maximum of 10 days (beyond which any further extension will require the consent of the Targets).

Assumed Leases & Non-Assumed Leases

5.8 As described above, at Closing, the Putman Purchaser will assume all liabilities relating to the Assumed Leases. The Go-Forward Stores governed by the Assumed Leases will continue to be operated by the Putman Purchaser following completion of the Putman Transaction. The Ricki's and cleo retail store leases that are not Assumed Leases (the "**Non-Assumed Leases**") will ultimately be disclaimed by the Applicants (or expire in accordance with their terms if the remaining term is less than 30 days) and liquidated.

5.9 The Third Kassam Affidavit describes the process under the proposed Approval and Vesting and DIP Assignment Order for the assignment of the Assumed Leases to the Putman Purchaser pursuant to section 11.3 of the CCAA. As described more fully in the Third Kassam Affidavit:

- (a) the Putman Purchaser has prepared a list (the "**Eligible Lease List**") of Go-Forward Stores in respect of which it wishes to designate the applicable lease, occupancy agreement, license, or other similar agreement and related documentation as an Assumed Lease under the Putman Transaction (the "**Eligible Leases**"). The Eligible

Lease List is attached as Exhibit “D” to the Third Kassam Affidavit and lists a total of 111 Ricki’s and cleo store locations;

- (b) the Putman Purchaser intends to send written notice to each of the landlords on the Eligible Lease List setting out the terms pursuant to which the Putman Purchaser would be prepared to assume the applicable Eligible Lease, and requiring that an agreement between the Putman Purchaser and the applicable landlord be entered into by a specified date (the “**Cure Cost Deadline**”);
- (c) in order for an Eligible Lease to become an Assumed Lease, either: (i) the Putman Purchaser must have provided written confirmation to the Monitor that it will satisfy the cure costs and other lease terms in respect of the Assumed Lease; or (ii) the Putman Purchaser and the applicable landlord must have provided written confirmation to the Monitor that they have reached consensual arrangements with respect to cure costs, other lease terms and the assignment of such lease, in each case prior to the Cure Cost Deadline; and
- (d) only Eligible Leases that have met the above criteria by the Cure Cost Deadline will be included on Schedule “1” of the Monitor’s Certificate to be issued by the Monitor under the Approval and Vesting and DIP Assignment Order to confirm the closing of the Putman Transaction. Upon delivery of the executed Monitor’s Certificate, the leases listed on Schedule “1” thereto will become Assumed Leases and be assigned to the Putman Purchaser pursuant to section 11.3 of the CCAA. The Monitor will serve a copy of the executed Monitor’s Certificate to the Service List in the CCAA Proceedings and file a copy with the Court promptly following

delivery to the Vendors, the Putman Purchaser, and the DIP Lender in accordance with the Approval and Vesting and DIP Assignment Order, if granted.

5.10 The Monitor and its counsel were involved in the development of the lease assignment process described above. The Monitor believes that the proposed procedure is reasonable in the circumstances and will provide a fair process through which to complete the assignment of up to 111 Assumed Leases under the timeline required by the Putman Transaction. The Monitor notes that a lease will only be assigned to the Putman Purchaser in circumstances where the Putman Purchaser has agreed to pay the cure costs in respect of such lease or has otherwise reached consensual arrangements with the applicable landlord. The purchase price payable by the Putman Purchaser is not dependent on the number of Assumed Leases ultimately assigned to the Putman Purchaser.

5.11 Upon closing of the Putman Transaction, the Applicants intend to issue notices to disclaim the Non-Assumed Leases. During the 30-day disclaimer period, the remaining merchandise and FF&E at the related stores will be liquidated (unless redirected by the Putman Purchaser to another location), with such proceeds being Purchased Assets of the Putman Purchaser, net of any TSA Costs. The Applicants will make arrangements to exit the Liquidating Stores in a “broom swept” and clean condition in accordance with the Sale Guidelines. The Applicants expect to vacate the Liquidating Stores on or before the date each lease disclaimer becomes effective.

Process Leading to the Putman Transaction

5.12 The Monitor notes the following with respect to the process leading to the Putman Transaction:

- (a) the Putman Transaction is the result of a process undertaken by the Monitor in accordance with paragraph 12(f) the ARIO to determine market interest in potential transactions for the Applicants' business and assets. The Monitor believes that the process was reasonable and appropriate in light of the Applicants' liquidity challenges and need to proceed expeditiously with a restructuring or wind-down of their business;
- (b) the commencement of the CCAA Proceedings on January 7, 2025 was accompanied by a news release by the Applicants and led to media coverage of the CCAA filing. The media coverage and industry awareness of the CCAA Proceedings led to several interested parties contacting the Monitor or the Applicants, on an unsolicited basis, to discuss potential transaction opportunities in respect of the Applicants;
- (c) in accordance with the authority to pursue a Transaction under paragraph 12(f) of the ARIO, the Monitor also contacted other potentially interested parties, including parties known to the Monitor or the Applicants with a potential interest in retail business transactions of a similar nature. These parties were informed of the potential transaction opportunity and the requirement that any transaction would need to be developed and implemented on an expedited basis given the Applicants' financial challenges, and were invited to access the Data Room for additional information regarding the transaction opportunity;

- (d) as part of this process, a number of interested parties entered into an NDA and accessed the Data Room to review financial and operational information with respect to the Applicants and their business and assets;
- (e) the Putman Purchaser was the only party that submitted an offer to acquire the business and assets of Ricki's and cleo. The terms of the Putman Transaction were subsequently negotiated between the Applicants and the Putman Purchaser, with the oversight of the Monitor;
- (f) in the Monitor's view, a further marketing process with respect to the assets of Ricki's and cleo is unlikely to lead to a higher-value transaction than the Putman Transaction. As a result of the ongoing Liquidation Sale at all of the Applicants' retail stores, the Applicants' remaining inventory balances are decreasing daily and certain of their retail store leases are expiring in accordance with their terms. Declining asset levels would be expected to result in a lower purchase price under an extended sale process; and
- (g) having regard to all of these factors, the Monitor believes that the process leading to the Putman Transaction was reasonable and appropriate in the circumstances and that an additional marketing process, which would entail additional costs for the Applicants' estate, is unlikely to lead to a transaction that provides a result superior to the Putman Transaction.

Monitor's Views on the Putman Transaction

5.13 The Monitor supports Court approval of the Putman Transaction for the following reasons:

- (a) as described above, the Monitor believes the process leading up to the Putman Transaction was reasonable and appropriate in the circumstances;
- (b) the Putman Transaction represents the sole going concern transaction in respect of Ricki's and cleo to have materialized to date, and it is capable of being consummated in the limited time available to the Applicants in the circumstances;
- (c) the Putman Transaction will achieve a going concern outcome for the Go-Forward Stores, including the assumption of up to 111 Assumed Leases and the preservation of employment at the Go-Forward Stores. Relative to a liquidation or bankruptcy, the Putman Transaction will achieve a superior outcome for employees, landlords and other stakeholders of Ricki's and cleo;
- (d) because the Putman Purchaser has agreed to fund substantially all of the costs of winding down the operations at the Ricki's and cleo Liquidating Stores pursuant to the TSA, the Putman Transaction is expected to generate a greater overall recovery, net of costs, than the liquidation of all of the Ricki's and cleo stores under the Liquidation Sale;
- (e) the Applicants' senior secured creditors are CIBC (in respect of the indebtedness under the DIP Facility and the Pre-Filing Credit Agreement) and ParentCo (in respect of the ParentCo Loan Facility, in the principal amount of approximately \$57 million, which is subordinate to the obligations under the Pre-Filing Credit

Agreement and the DIP Facility). The aggregate value of the Applicants' assets is insufficient to repay in full the obligations under the DIP Facility, the Pre-Filing Credit Agreement and the ParentCo Facility, and accordingly CIBC and ParentCo have the remaining economic interest in the Applicants. Both CIBC and ParentCo support approval of the Putman Transaction (in the case of CIBC, provided that the Debt Assignments are completed concurrently with the closing of the Putman Transaction), and completion of the Putman Transaction will facilitate a material pay down of the Outstanding Senior Secured Indebtedness; and

- (f) the Putman Transaction is an important component of the comprehensive restructuring approach that is proposed for the Applicants, which includes the Debt Assignments from CIBC to ParentCo and the conduct of the Sale Process for the Applicants' Remaining Business underpinned by the Stalking Horse Transaction.

6.0 SALE PROCESS AND STALKING HORSE TRANSACTION

- 6.1 As described in the Third Kassam Affidavit, the Applicants and the Monitor have also considered whether and how best to pursue a transaction involving the Applicants' Remaining Business, including the business and assets of Bootlegger. As part of this consideration, the Applicants commenced discussions with ParentCo to determine whether it, or one of its affiliates, might be interested in acquiring the Bootlegger business and other components of the Remaining Business. ParentCo advised the Applicants that its affiliate, Warehouse One, was interested in the opportunity and, following additional discussions, Warehouse One indicated that it was willing to act as a stalking horse bidder (directly or indirectly through one of its affiliates). The Applicants, in consultation with the Monitor, subsequently engaged in negotiations with Warehouse One with respect to the terms of the

Stalking Horse Transaction. These discussions culminated in the execution of the Stalking Horse Term Sheet on January 28, 2025. As described below, it is contemplated that the Stalking Horse Transaction will be market tested through the Sale Process conducted by the Monitor.

Stalking Horse Term Sheet

6.2 The Stalking Horse Term Sheet is attached as Exhibit “F” to the Third Kassam Affidavit and is described in detail in the Third Kassam Affidavit. The following table sets out the key terms of the Stalking Horse Transaction:

Key Terms of Stalking Horse Transaction ²	
Parties	<ul style="list-style-type: none"> The Applicants Warehouse One Clothing Ltd. or its affiliate (the “Buyer”). The Buyer is a party related to the Applicants and ParentCo.
Transaction Structure	<ul style="list-style-type: none"> The Buyer or its nominee will implement the transaction by purchasing 100% of the shares of Bootlegger and/or one or more of the other Applicants (or their successor(s) by way of amalgamation or otherwise (the “Target(s)”) through a reverse vesting transaction (the “ARVO Transaction”). Under the ARVO Transaction: (a) the Target(s) will retain the Retained Assets and the Retained Liabilities; and (b) the Excluded Assets and Excluded Liabilities will be transferred to and vested in a company to be incorporated and added to the CCAA Proceedings as an applicant (“ResidualCo”).
Purchase Price	<ul style="list-style-type: none"> The Purchase Price for the transaction (the “Stalking Horse Purchase Price”) is: (a) a cash amount equal to the Outstanding Senior Secured Indebtedness then outstanding on the Closing Date (the “Cash Amount”); and (b) an amount equal to the Retained Liabilities. On closing, the Purchase Price would be satisfied by: (i) a cash payment in the Cash Amount, and (ii) retention of the Retained Liabilities.
Retained Assets	<ul style="list-style-type: none"> The Retained Assets will include the following assets at Closing: <ul style="list-style-type: none"> (a) all inventory and merchandise owned by Bootlegger, wherever located; (b) all Bootlegger owned furnishings, trade fixtures, equipment, machinery, office supplies, and other personal property and fixed assets currently located in the Bootlegger stores;

² Capitalized terms used and not defined in this table have the meanings given to them in the Stalking Horse Term Sheet.

Key Terms of Stalking Horse Transaction ²	
	<ul style="list-style-type: none"> (c) all intellectual property owned by Bootlegger, wherever located, including rights in and to trademarks, copyrights, trade names, domain names and customer lists; (d) Bootlegger's cash, prepaid assets and deposits; (e) certain of the Comark Group's retail real property leases, to be confirmed by the Buyer no less than three days prior to Closing (the "Acquired Leases", and the applicable retail stores at such leased locations, the "Going Concern Stores"), provided that the Buyer agrees to retain no less than 25 Acquired Leases; (f) such assets of Comark as Buyer may designate no less than three days prior to Closing; and (g) the Comark Group's tax losses and other attributes to be determined by the Buyer.
Retained Liabilities	<ul style="list-style-type: none"> • The Buyer (through the Target(s)) will retain the following Retained Liabilities: <ul style="list-style-type: none"> (a) liabilities from and after Closing under all of the Acquired Leases, including the assumption or retention of rent or other amounts outstanding under the Acquired Leases unless waived by the applicable landlord; (b) liabilities to Retained Employees, including obligations for wages, salaries, employee benefits and accrued vacation pay for such employees from and after Closing; (c) all liabilities owed by Comark to ParentCo pursuant to the Sponsor Loan Agreement dated August 7, 2020 (which are in the amount of no less than \$57 million), and related security documentation and such other intercompany liabilities as Buyer may determine; and (d) the liabilities of the Comark Group to those persons listed on Appendix "A" to the Stalking Horse Term Sheet.
Employees	<ul style="list-style-type: none"> • Except as otherwise agreed by the Buyer and Bootlegger, the Buyer (through the Target) will retain all retail employees at the Going Concern Stores and certain divisional employees to be determined prior to Closing (the "Retained Employees"). Such employment will continue on substantially the same employment terms and conditions as such employees currently have with Bootlegger. All other employees of the Comark Group will be terminated prior to Closing and all related liabilities will be transferred to ResidualCo.
Conditions	<ul style="list-style-type: none"> • Completion of the transaction is conditional on, among other things: <ul style="list-style-type: none"> (a) the negotiation of the Stalking Horse Purchase Agreement; (b) the granting by the Court of an approval and reverse vesting order (the "ARVO") in form and substance satisfactory to the Buyer; (c) achievement of the milestones set forth in the Stalking Horse Term Sheet, including execution of the Stalking Horse Purchase Agreement by no later than February 18, 2025 and the granting of the ARVO by no later than March 21, 2025; (d) the completion of the Putman Transaction by no later than February 17, 2025; and (e) the completion of the Debt Assignments concurrently with the completion of the Putman Transactions.

Acquired Leases & Excluded Leases

6.3 As described above, if the Stalking Horse Transaction is determined to be the successful bid, the Stalking Horse Purchaser will continue to operate at least 25 Going Concern Stores.

The Monitor understands that the Stalking Horse Purchaser intends to engage in discussions with Bootlegger landlords with respect to lease amendments and modifications prior to determining which of the Bootlegger leases will be designated as Acquired Leases under the Stalking Horse Transaction. As set out in the Stalking Horse Term Sheet, the Retained Liabilities under the Stalking Horse Transaction include liabilities from and after closing under the Acquired Leases, including rent or other amounts outstanding under the Acquired Leases unless waived by the applicable landlord.

- 6.4 The Bootlegger retail store leases that are not Acquired Leases under the Stalking Horse Transaction (the “**Excluded Leases**”) will be disclaimed by the Applicants (or expire in accordance with their terms if the remaining term is less than the 30-day disclaimer period). The Monitor understands that the Applicants’ current intention is to issue lease disclaimer notices in respect of the Excluded Leases on or around the closing date of the Putman Transaction, concurrently with the issuance of the disclaimer notices for Ricki’s and cleo stores that are Non-Assumed Leases under the Putman Transaction.
- 6.5 During the 30-day disclaimer period, the remaining merchandise and FF&E at the Bootlegger stores related to the Excluded Leases will be liquidated. The Applicants will make arrangements to exit the stores in a “broom swept” and clean condition in accordance with the Sale Guidelines. The Applicants expect to vacate the premises on or before the date each lease disclaimer of an Excluded Lease becomes effective.

Sale Process and Process Letter

- 6.6 The Process Letter is attached hereto as **Appendix “B”** and describes the proposed structure and timing for the Sale Process. As described more fully in the Process Letter:

- (a) the Sale Process will be a single-phase process in which interested parties can submit a non-binding expression of interest (an “EOI”) in relation to the Applicants’ Remaining Business, including Bootlegger;
- (b) interested parties wishing to pursue a transaction for the Remaining Business must execute a confidentiality agreement to be provided with access to the Data Room established for purposes of the Sale Process;
- (c) parties will be required to comply with the key milestone dates set forth in the Process Letter, including that any EOI must be submitted to the Monitor prior to 5:00 p.m. (Toronto time) on February 20, 2025;
- (d) in order to be a qualified bid, the EOI must comply with the requirements set out in the Process Letter. Among other requirements, a qualified bid in respect of the assets subject to the Stalking Horse Transaction must, at a minimum, provide cash sufficient to pay in full upon closing: (i) the Stalking Horse Purchase Price; (ii) an incremental overbid amount of \$100,000; and (iii) an administrative reserve to wind-down the CCAA Proceedings in an amount to be discussed with the Monitor. There is no minimum bid amount in relation to Remaining Assets that are not subject to the Stalking Horse Transaction. The Stalking Horse Purchaser is deemed to be a qualified bidder for the purposes of the Sale Process;
- (e) if one or more qualified bids (in addition to the Stalking Horse Transaction) are received in the Sale Process, the Monitor, in consultation with the Applicants, will establish a process and timing for the selection of the successful bid, which may

(but not is not required to) include an auction process. The process and timing for the selection of a successful bid will be communicated to qualified bidders; and

- (f) any successful bid(s) identified in the Sale Process (including the Stalking Horse Transaction, as applicable) will be subject to approval by the Court in the CCAA Proceedings and the DIP Lender.

6.7 The Monitor has the ability under the Process Letter to modify the structure and timelines in the Sale Process. The Monitor will, in consultation with the Applicants and key stakeholders, make any modifications as warranted in the circumstances to achieve the objectives of the Sale Process.

6.8 Given the expedited timing of the Sale Process and the Monitor's existing authority to pursue transaction and restructuring options in respect of the Applicants pursuant to paragraph 12(f) of the ARIO, on January 30, 2025, the Monitor commenced initial distribution of the Process Letter and the form of confidentiality agreement to certain parties with a known interest in the Applicants' Remaining Business. The Monitor will continue to distribute the Process Letter on a rolling basis to parties with an expressed or potential interest in participating in the Sale Process.

Monitor's Views on the Sale Process and Stalking Horse Transaction

6.9 The Monitor supports the Applicants' proposed approach to undertaking the Sale Process in respect of the Remaining Business underpinned by the Stalking Horse Transaction, for the following reasons:

- (a) in light of interest received to date in respect of the Applicants' business and assets (including the Putman Transaction and the Stalking Horse Transaction), the Monitor supports a continuation of efforts to identify one or more transactions that maximize the value of the Remaining Business;
- (b) the Monitor believes that the Sale Process is appropriate in the circumstances and strikes a reasonable balance between providing interested parties with an appropriate period to review transaction opportunities and formulate an EOI, while enabling the Applicants to complete a transaction on an expedited basis given their financial and operational circumstances. In this regard, the Monitor notes that:
 - (i) targeted marketing efforts in respect of the Applicants' business and assets have been ongoing since the commencement of the CCAA Proceedings on January 7, 2025; (ii) interested parties have until February 20, 2025 to submit a non-binding EOI in respect of the Remaining Business; and (iii) the Sale Process provides the Monitor with flexibility to tailor an appropriate process to determine the successful bid(s) if one or more qualified bids (in addition to the Stalking Horse Transaction) are received in the Sale Process;
- (c) the Stalking Horse Transaction is an important element of the Sale Process and the Applicants' integrated restructuring approach. The Stalking Horse Transaction:
 - (i) ensures that there is a bid in respect of a going concern outcome for elements of the Bootlegger business, including the retention of at least 25 Acquired Leases and the preservation of employment for Retained Employees at the Going Concern Stores; (ii) provides a baseline purchase price for the Remaining Business; (iii) does not contain any break fee; (iv) provides for the repayment of the Outstanding Senior

Secured Indebtedness, which in turn facilitates the Debt Assignments; and (v) enables the Applicants and the Monitor to pursue higher value or value-accretive transaction(s) under the Sale Process;

- (d) the Monitor notes that the Stalking Horse Transaction is structured as a reverse vesting transaction and its implementation (if it is the successful bid in the Sale Process) is conditional on the granting of the ARVO. The Monitor understands that the preservation of the tax attributes of the Comark Group is an important element of the value and attractiveness of the Stalking Horse Transaction to the Stalking Horse Purchaser and that, as set out in the Stalking Horse Term Sheet, the Stalking Horse Purchaser is not prepared to proceed with a transaction in respect of Bootlegger on an “asset sale” only basis; and
- (e) the Sale Process and the Stalking Horse Transaction are supported by CIBC and ParentCo, who are the Applicants’ principal economic creditors in these CCAA Proceedings. As noted above and below, CIBC’s support is subject to the concurrent closing of the Putman Transaction and Debt Assignments.

7.0 DEBT ASSIGNMENTS

- 7.1 The Monitor understands that the Applicants’ senior secured lender, CIBC, is only prepared to support the Putman Transaction and the Stalking Horse Transaction if: (a) the proceeds of the Putman Transaction are used to pay down the CIBC Revolving Loan Facility and the DIP Facility, in such order and as applicable, as required by the DIP Term Sheet; and (b) the Outstanding Senior Secured Indebtedness is acquired by and assigned to

ParentCo concurrently with the completion of the Putman Transaction, which would together pay CIBC out in full (other than in respect of the BCAP Facility).

- 7.2 ParentCo is prepared to take an assignment of the Outstanding Senior Secured Indebtedness, and the Monitor understands that ParentCo and CIBC have reached agreement on the definitive documentation necessary to effectuate the DIP Assignment and the Pre-Filing Debt Assignment.³
- 7.3 The proposed Approval and Vesting and DIP Assignment Order sought by the Applicants approves the DIP Assignment. ParentCo and CIBC will concurrently complete the Pre-Filing Debt Assignment on a contractual basis, and accordingly the Applicants are not seeking Court approval of the Pre-Filing Debt Assignment. However, the proposed Approval and Vesting and DIP Assignment Order provides that the Pre-Filing Debt Assignment is to occur concurrently with the DIP Assignment. As CIBC's consent (as DIP Lender) to the closing of the Putman Transaction is conditional on concurrent completion of the Debt Assignments, the Monitor's Certificate attached to the proposed Approval and Vesting and DIP Assignment Order that is to give effect to the closing of the Putman Transaction is to be delivered only upon the Monitor receiving written notice from CIBC and ParentCo that the applicable closing conditions under the definitive documentation for the Debt Assignments have been satisfied or waived.
- 7.4 Following completion of the Putman Transaction and the Debt Assignments, ParentCo will be the Applicants' DIP Lender and senior secured creditor. The DIP Facility will remain

³ The signatures of CIBC and ParentCo are currently held in escrow. The Parties confirmed their intent to release signatures from escrow upon confirmation of the Payment Amount and the Principal Amount Assigned on the Effective Date (each as defined in the DIP Assignment and the Pre-Filing Debt Assignment).

in place and continue to be governed by the DIP Term Sheet. The Applicants, with the oversight of the Monitor, are engaged in discussions with ParentCo to facilitate an orderly transition of the DIP Lender responsibilities from CIBC to ParentCo and to ensure that the Applicants have continued access to funding under the DIP Facility while they pursue the Sale Process and complete the liquidation of the Liquidating Stores.

- 7.5 The BCAP Facility, which is governed by the Pre-Filing Credit Agreement, will not be assigned to ParentCo. The Monitor understands that, upon completion of the Debt Assignments: (a) the BCAP Facility will become an unsecured obligation of the Applicants, as all of the security relating to the Pre-Filing Credit Agreement will be assigned to ParentCo under the Pre-Filing Debt Assignment; and (b) CIBC will remain as agent under the BCAP Facility solely to facilitate the administration of the EDC Guarantee. The Monitor further understands that EDC has: (i) consented to the termination and release of the BCAP Facility upon receipt by CIBC of any amount payable by EDC under the BCAP Guarantee and provided that the Debt Assignments have closed; and (ii) confirmed that, on closing of the Debt Assignments, EDC irrevocably waives and releases all subrogation rights it may have against the Applicants under the EDC Guarantee or at law.

8.0 CASH FLOW RESULTS RELATIVE TO FORECAST

- 8.1 Actual receipts and disbursements for the two-week period from January 12, 2025 to January 25, 2025 (the “**Reporting Period**”), as compared to the cash flow forecast attached as Appendix “B” to the First Report of the Monitor, are summarized in the following table:

Cash Flow Variance Report			\$000's
	Actual	Budget	Variance
Receipts	12,035	7,468	4,566
Disbursements			
Payroll	1,877	2,081	204
Rent	1,045	1,129	84
Liquidation Fees	475	821	346
Warehouse & Corporate	850	850	-
Duties, Freight, & Shipping	347	1,201	854
Professional Fees	491	500	9
Utilities, Maintenance, & Other	982	1,357	375
Merchandise	348	1,500	1,152
Interest & Fees	45	45	-
Total Disbursements	6,460	9,483	3,023
Net Cash Flow	5,575	(2,015)	7,589
Cash & Borrowings			
Cash on hand	693	100	593
Revolver & DIP Facility	16,045	23,367	7,322
Net Debt Balance (Revolver & DIP)	15,352	23,267	7,915

8.2 During the Reporting Period:

- (a) the positive variance in receipts of approximately \$4.6 million is due to greater-than-forecast sales across the Applicants' store network and e-commerce channels. The Applicants believe this positive variance was caused by an acceleration of sales following the commencement of the CCAA Proceedings and the Liquidation Sale, and accordingly, future sales trends will likely return to initially forecast levels;
- (b) the positive variances across disbursements are considered timing differences and are anticipated to reverse in future weeks;
- (c) the timing variances incurred in Duties, Freight & Shipping are primarily a result of a delayed restart of services from critical freight and shipping vendors following

commencement of the CCAA Proceedings, all of which are now operating in the normal course; and

- (d) the Merchandise disbursements of \$348,000 are associated with Merchandise Transfer Agreements (as defined and described in the First Report). As of January 28, 2025, the Applicants had entered into Merchandise Transfer Agreements to release approximately \$5.4 million of in-transit inventory, at an aggregate cost of approximately \$1.7 million (including the \$348,000 referenced above). The remaining payments under the Merchandise Transfer Agreements will be disbursed in the coming weeks.

8.3 Overall, during the Reporting Period, the Applicants experienced a positive net cash flow variance of approximately \$7.6 million, primarily attributable to higher-than-forecast sales and timing variances in operating disbursements.

8.4 As at January 25, 2025, the approximate total principal amount of the indebtedness owing to CIBC was: (a) \$7.0 million in respect of the DIP Facility; (b) \$9.0 million in respect of the CIBC Revolving Loan Facility; (c) \$2.4 million in respect of the CIBC Term Loan Facility; and (d) \$6.25 million in respect of the BCAP Facility.

9.0 UPDATED CASH FLOW FORECAST

9.1 The Applicants, with the assistance of the Monitor, prepared the Updated Cash Flow Forecast for the seven-week period ending March 15, 2025 (the “**Forecast Period**”), a copy of which, together with Notes and a Summary of Assumptions (the “**Updated Cash Flow Assumptions**”), is attached to this Second Report as **Appendix “C”**.

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

Comark Group (Consolidated) Cash Flow Forecast	7-Week (000's CAD)
Receipts	22,978
Disbursements	
Payroll	4,654
Rent	3,496
Sales Tax Payable	3,221
Liquidation Fees	1,576
Warehouse & Corporate	2,125
Duties, Freight & Shipping	2,470
Professional Fees	3,412
Utilities, Maintenance & Other	594
Merchandise	1,652
Credit Card Fees	522
Wind-Down Reserve	250
Shared Services	150
Total Disbursements	24,505
Net Cash Flow	(1,527)

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

- (a) collections include cash receipts forecast from the sale of merchandise across the Applicants' store network and e-commerce channels;
- (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;
- (c) the wind-down budget is a reserve included to wind-down the remainder of the CCAA Proceedings following the closing of the proposed transactions discussed in this Second Report (the "**Wind-Down Reserve**"); and

- (d) the Liquidation Fees include the Merchandise Fee payable 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 Liquidation Sale.

Transaction Related Notes

- 9.4 The Updated Cash Flow Forecast projects the closing of the Putman Transaction to occur during the week ending February 15, 2025. Estimated cash proceeds of \$12.8 million related to the Putman Transaction are included in the Updated Cash Flow Forecast and are shown as a pay down the CIBC Revolving Loan Facility and the DIP Facility.
- 9.5 Receipts and disbursements following the closing of the Putman Transaction are solely related to the remaining Bootlegger locations. No receipts or disbursements relating to Ricki's or cleo (nor the TSA) are included in the Updated Cash Flow Forecast after the closing of the Putman Transaction.
- 9.6 As shown in the Updated Cash Flow Forecast, the Outstanding Senior Secured Indebtedness (being the sum of the CIBC Revolving Loan Facility, the DIP Facility and the CIBC Term Loan Facility, including principal, interest and Lender Expenses) is forecast to be in the range of \$6.0 million to \$6.5 million during the period from March 1, 2025 to March 15, 2025.
- 9.7 Based on the Monitor's review, nothing has come to its attention that causes it to believe, in all material respects that: (a) the Updated Cash Flow Assumptions are not consistent with the purpose of the Updated Cash Flow Forecast; (b) as at the date of this Second Report, the Updated 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 Updated Cash Flow Assumptions; or (c) the Updated Cash Flow Forecast does not reflect the Updated Cash Flow Assumptions.

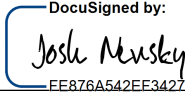
10.0 CONCLUSIONS AND RECOMMENDATIONS

10.1 For the reasons set out in this Second Report, the Monitor respectfully recommends that the Court grant the Approval and Vesting and DIP Assignment Order and the Stalking Horse Sale Process Approval Order.

10.2 The Monitor also notes that, as reflected in the Updated Cash Flow Forecast, including the funding of the Wind-Down Reserve, the Applicants are expected to have sufficient liquidity to fund their operations and the costs of the CCAA Proceedings during the current Stay Period through May 15, 2025.

All of which is respectfully submitted to the Court this 31st 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”
LETTER FROM PUTMAN PURCHASER

See attached

January 31, 2025

By Email

Alvarez & Marsal Canada Inc.

Royal Bank Plaza, South Tower

200 Bay Street, Suite 3501

Toronto, ON M5J 2J1

Attention: Joshua Nevsky (jnevsky@alvarezandmarsal.com)

Goodmans LLP

Bay Adelaide Centre, West Tower

333 Bay Street, Suite 3400

Toronto, ON M5H 2S7

Attention: Brendan O'Neil (boneill@goodmans.ca) and Bradley Wiffen (bwiffen@goodmans.ca)

Dear Sirs:

**Re: 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.
Court file no. CV-25-00734339-00CL**

We are writing to you in connection with the above-noted restructuring proceedings commenced under the *Companies' Creditors Arrangement Act* (Canada) and the appointment of Alvarez & Marsal Canada Inc. as Monitor over each of Comark Holdings Inc., Bootlegger Clothing Inc., cleo fashions Inc. and Ricki's Fashions Inc. (in such capacity, the "**Monitor**") pursuant to same.

As you are aware, 100011110197 Ontario Inc. (the "**Purchaser**"), an affiliate of Putman Investments, has made an offer to purchase the assets and business of each cleo Fashions Inc. and Ricki's Fashions Inc. (together, the "**Vendors**"), which offer was been accepted by the Vendors, with the support of the Monitor. The parties are actively working to finalize an asset purchase agreement to be entered into between the Purchaser and the Vendors (the "**APA**") that contemplates, among other things, a going-concern sale of the Vendors' business (the "**Sale Transaction**").

In connection with the APA, we confirm that the Purchaser has the necessary financial resources and wherewithal to complete the Sale Transaction. In this regard, in addition to the \$3,000,000 deposit already funded to the Monitor and currently held in trust, the Purchaser has entered into a financing arrangement with Gordon Brothers, the proceeds of which are to be used, in part, to complete the Sale Transaction and fund the Purchaser's working capital requirements post-Closing. Evidence of such financing is attached hereto as Schedule "A".

We trust this is sufficient to proceed with the APA and the Sale Transaction, but please advise the undersigned should you require any further documentation in respect of the Gordon Brothers' financing.

Yours truly,



100011110197 Ontario Inc.

Doug Putman – Email: doug@putmaninvestments.com

Jesse Gardner – Email: jesse@putmaninvestments.com

cc Kyle Plunkett (kplunkett@airdberlis.com), Tony Gioia (tgioia@airdberlis.com) and Samantha Hans (shans@airdberlis.com); *Aird & Berlis LLP*

Tracy C. Sandler (tsandler@osler.com) and Shawn Irving (sirving@osler.com); *Osler, Hoskin & Harcourt LLP*

SCHEDULE "A"



Indicative Term Sheet January 31, 2024 ("Term Sheet")

THE PROPOSED TERMS AND CONDITIONS SET OUT IN THIS TERM SHEET ARE PROVIDED FOR DISCUSSION PURPOSES ONLY AND DO NOT CONSTITUTE AN OFFER, AGREEMENT OR COMMITMENT TO LEND; PROVIDED THAT, THE PARTIES AGREE THAT THE BINDING SECTIONS (DEFINED BELOW) SHALL BE ENFORCEABLE AGREEMENTS OF THE PARTIES. THE ACTUAL TERMS AND CONDITIONS UPON WHICH 1903P LOAN AGENT, LLC OR ONE OF ITS AFFILIATES MIGHT EXTEND CREDIT TO THE BORROWER ARE SUBJECT TO SATISFACTORY COMPLETION OF DUE DILIGENCE, FINAL CREDIT COMMITTEE APPROVAL, SATISFACTORY REVIEW OF AND ENTRY INTO LONG-FORM DOCUMENTATION AND SUCH OTHER TERMS AND CONDITIONS AS ARE DETERMINED BY 1903P LOAN AGENT, LLC OR ONE OF ITS AFFILIATES AND ITS COUNSEL. THE TERMS SET OUT IN THIS TERM SHEET ARE PROVIDED TO YOU ON A CONFIDENTIAL BASIS AND MUST BE TREATED ACCORDINGLY. **ALL AMOUNTS REFERENCED HEREIN ARE IN CANADIAN DOLLARS.**

Structure

Borrower:	10011110197 Ontario, Inc., carrying on business as cleo and Ricki's (the " <u>Company</u> "), and such other entities identified by Agent during underwriting, (collectively the " <u>Borrower</u> ").
Guarantors:	TBD based on diligence (the " <u>Guarantors</u> " and collectively with the Borrower, individually, a " <u>Loan Party</u> ", and collectively, the " <u>Loan Parties</u> ").
Agent and Lenders:	1903P Loan Agent, LLC, as agent (" <u>Agent</u> "), and one or more of its affiliates as Lenders (collectively, with successors and assigns, the " <u>Lenders</u> ").
Facility:	<p>Subject to the terms and conditions hereunder, a senior secured revolving credit facility (the "<u>Facility</u>") available to the Borrower in an aggregate amount of up to the lesser of (i) \$20,000,000 (the "<u>Maximum Amount</u>") and (ii) the Borrowing Base (defined below) as then in effect (the loans under the Facility, collectively, the "<u>Loans</u>" and individually, a "<u>Loan</u>"). The Loan Documents (defined below) will permit the Borrower to request an increase of the Maximum Amount and commitments under the Facility in an aggregate principal amount of up to \$10,000,000 (the "Incremental Commitment"); provided that at the time of such request and immediately after giving effect thereto and to the use of the proceeds thereof, no Default (as defined in the Loan Documents) shall have occurred and be continuing or would result therefrom; and provided, further, that (i) no Lender will be required or otherwise obligated to provide any Incremental Commitment, and (ii) the Borrower may make only two such requests. Each such request shall be in writing in form and substance acceptable to Agent, and will set forth (a) the amount of the Incremental Commitments being requested (which shall be in minimum increments of \$5,000,000), and (b) the date on which such Incremental Commitments are requested to become effective (which shall not be less than ten business days nor more than 20 calendar days after the date of such notice, unless otherwise agreed to by the Agent). All Incremental Commitments shall be subject to certain terms, conditions and fees required by a Lender that agrees to provide such Incremental Commitment.</p> <p>All draws under the Facility shall be subject to certain terms and conditions required by Agent and Lenders, including sufficient availability under the Revolver Borrowing Base ("<u>Availability</u>") and 70% utilization under the Revolver.</p>
Collateral:	The obligations under the Facility will be secured by a first priority perfection lien on, and security interest in, all tangible and intangible assets, of each Loan Party whether now owned or hereafter created or acquired (the " <u>Collateral</u> ").
Covenants:	<ul style="list-style-type: none"> The loan documents for the Facility (the "<u>Loan Documents</u>") will contain representations and warranties that are usual and customary for transactions of this type and such others as may be reasonably requested by the Agent, and consistent with the results of updated appraisals, field examinations and other due diligence. The Loan Documents will contain affirmative and negative covenants that are usual and customary for transactions of this type and such others as may be reasonably requested by Agent.



Indicative Term Sheet January 31, 2024 ("Term Sheet")

	<ul style="list-style-type: none"> Borrower shall provide weekly certificates with respect to the Borrowing Base (the "<u>Borrowing Base Certificates</u>") furnished with proper collateral supporting documents; provided that, the Borrower shall be permitted to submit monthly Borrowing Base Certificates in the event availability under the Borrowing Base ("<u>Availability</u>") exceeds 25% for eight (8) consecutive weeks. Borrower shall provide proper documentation and collateral access rights for Borrower's locations containing Collateral, including without limitation stores leased by the Borrower in which Borrower maintains consignment inventory.
Borrowing Base:	<p>Loans shall be subject to a borrowing base equal to the sum of up to the following (the "<u>Borrowing Base</u>"): </p> <ul style="list-style-type: none"> i. 90% of Eligible Account Receivables and Credit Card Receivables, <i>plus</i> ii. Up to 95% of the appraised net orderly liquidation value ("<u>NOLV</u>") of Eligible Inventory (including Eligible Inventory constituting Cleo and Ricki's inventory), <i>plus</i> iii. Up to 75% of the NOLV of Eligible In-Transit Inventory, <i>plus</i> iv. Up to 50% of the TBD NOLV of Eligible Store Liquidating Inventory, <i>minus</i> v. Availability Block in an amount equal to the greater of: (a) 10% of the Borrowing Base, and (b) \$2,000,000, <i>minus</i> vi. Applicable Reserves customary for a transaction of this nature and those implemented by the Agent in its permitted discretion <p>Advance rates on Eligible Inventory and Eligible In-Transit inventory shall decrease to 92.5% upon the first anniversary of the Closing Date.</p> <p>Eligibility criteria shall be determined by the Agent in its reasonable credit judgment.</p>
Closing Date:	The date upon which Agent determines all conditions precedent to the effectiveness of the Loan Documents are satisfied (the " <u>Closing Date</u> ").
Other Services:	Borrower shall have the option to retain Gordon Brothers Real Estate services team to provide real estate consulting services, including without limitation, evaluation of real estate portfolio.
Term:	The Facility will mature upon the earlier to occur of (i) three (3) years from the Closing Date, and (ii) the occurrence of an event of default under the Loan Documents.
Uses:	The proceeds of the Facility shall be used solely to: (i) finance the acquisition of certain assets of Cleo and Ricki's, (ii) pay certain fees and expenses associated with the Facility, and (iii) finance the ongoing general working capital needs and lawful corporate purposes of the Borrower.
<u>Pricing</u>	
Interest:	<p>Interest on the outstanding principal of the Loans shall accrue at the per annum rate of [REDACTED]</p> <p>[REDACTED] Interest on the Loans shall be payable monthly in arrears on the first day of each calendar month.</p> <p>[REDACTED]</p>
Closing Fee:	A fully earned, nonrefundable closing fee in the amount of [REDACTED] shall be payable to the Agent for the benefit of the Lenders on the Closing Date.
Agency Fee:	A nonrefundable agency fee in the amount of [REDACTED] per annum, fully earned and payable to the Agent on the Closing Date and at each anniversary thereof.
Monitoring Fee:	For the first year of the Facility: A nonrefundable monitoring fee, in the amount of [REDACTED], payable to the Agent monthly in advance in the amount of [REDACTED], on the Closing Date and on the first day of each calendar month thereafter.



Indicative Term Sheet January 31, 2024 ("Term Sheet")

	Thereafter: An annual nonrefundable monitoring fee, fully earned for the Term, in the amount of [REDACTED] per annum, payable to the Agent monthly in advance in the amount of [REDACTED], on the first day of each calendar month.
Prepayment Fee:	<p>In the event of a prepayment in full of the Facility through a refinance, Borrower shall pay to Agent for the benefit of the Lenders a prepayment fee in the amount of: [REDACTED]</p> <p>Upon an Event of Default, Borrower shall pay to Agent for the benefit of the Lenders a prepayment fee in the amount of: [REDACTED]</p>
Unused Line Fee:	An unused line fee will be based on [REDACTED] which shall accrue from and after the Closing Date and shall be payable monthly in arrears.
<u>General Provisions</u>	
Reporting:	<p>Loan Parties shall furnish financial reporting required by Agent at its discretion, including without limitation, annual audited and quarterly and monthly unaudited financial statements (in each case, accompanied by covenant compliance certificates) and annual forecasts.</p> <p>The Loan Documents will also contain customary collateral reporting requirements.</p>
Conditions Precedent:	<ul style="list-style-type: none"> • Completion of business and legal due diligence • Satisfactory review of the Borrower's monthly financial projections through FY25 • Satisfactory thirteen (13) Week Cash flow delivered to Agent • Sponsor shall provide no less than a [REDACTED] equity investment to the Company by the Closing Date, pursuant to documentation in form and substance acceptable to Agent. • Closing of the Asset Acquisition by 10011110197 Ontario Inc. of cleo and Ricki's • Commercial field exam to be engaged upon closure of Facility will field examiner of Agent's choice. • Satisfactory review of the most recent collateral appraisals • Satisfactory delivery of inventory roll-forward files • Agent or its affiliate shall be designated as liquidation agent in connection with any asset dispositions, including liquidation of Borrower's non-go-forward stores. • In-person or video conference management meeting • Satisfactory loan documentation, customary for transactions of this type, including satisfactory inter-creditor agreement • Agent's and Lender's receipt of Investment Committee approval • Such other customary conditions for financings of this type, and such other conditions determined by Agent and Lenders
Appraisal / Field Exams:	At Borrower's expense, two (2) annual inventory appraisals and one (1) field exam appraisal per year; provided that, upon the occurrence of an Event of Default under the Loan Documents, Agent may require such additional appraisals and exams at Agent's discretion.
Diligence Deposit, Agent, Lender Costs & Expenses:	Borrower shall pay to Agent an initial Diligence Deposit in the amount of [REDACTED] (the "Initial Deposit"), which shall be applied by Agent to reimburse Agent and Lenders for Agent's and Lenders' costs and expenses. Borrower further agrees to provide such further deposits required by Agent in order to reimburse the Agent and Lenders for all of Agent's and Lenders' incremental costs and expenses that exceed the amount of the Initial Deposit. It is agreed and understood



Indicative Term Sheet January 31, 2024 ("Term Sheet")

	that Borrower agrees to pay for all of Agent's and Lenders' costs and expenses regardless if the transactions contemplated by this Term Sheet close. Any unutilized amounts of the Initial Deposit will be fully earned and not returned to the Borrower.
Exclusivity:	Borrower shall grant the Agent and the Lenders exclusivity for a period of 120 days following the date Borrower executes this Term Sheet (the " <u>Exclusivity Period</u> "), during which Borrower shall not solicit, initiate, encourage or engage in discussions or negotiations regarding any financing, involving the Borrower (each, an " <u>Alternative Transaction</u> "). Borrower may terminate exclusivity before the end of the Exclusivity Period, so long as Borrower pays Agent a fee equal to the Closing Fee on or before the date of such termination or any Alternative Transaction is consummated (the " <u>Alternate Transaction Fee</u> "). For the avoidance of doubt, the Alternative Transaction Fee is due and payable if Borrower terminates the foregoing exclusivity granted to Agent and the Lenders during the Exclusivity Period, or if an Alternative Transaction is consummated.
Non-Binding:	Except for the provisions set forth in this "Non-Binding" section, the "Diligence Deposit, Agent, Lender Costs & Expenses" section, and "Exclusivity" section herein (collectively, the " <u>Binding Sections</u> "), this Term Sheet is not intended to reflect and does not constitute an offer by any party, or a binding agreement between any of the parties. A binding agreement of the parties, if any, is subject to and will only arise upon the negotiation, execution, and delivery of mutually acceptable definitive documentation, and the satisfaction of any and all other conditions set forth therein. The Binding Sections may only be amended by a written agreement executed by the parties.

Unless the Borrower returns to Agent an executed copy of this Term Sheet together with the Initial Deposit on or before January 31, 2025, this Term Sheet shall expire and be deemed null and void.


1903P Loan Agent, LLC

DocuSigned by:

 By: A35C6F66BD2840E...
Kyle C. Snonak, manager

Signed & Accepted,

Northern Reflections, Ltd.

Signed by:

 By: B4B15B1C331E441...
Jesse Gardner
 Name: _____
 Title: CEO
 Date: 1/31/2025

**APPENDIX “B”
PROCESS LETTER**

See attached.



January 30, 2025

Re: The Comark Group – Sale Process Letter (“Process Letter”)

On January 7, 2025, Comark Holdings Inc. (“**Comark**”), Bootlegger Clothing Inc. (“**Bootlegger**”), cleo fashions Inc. (“**cleo**”), and Ricki’s Fashions Inc. (“**Ricki’s**”) (collectively, the “**Comark Group**” or the “**Applicants**”) commenced proceedings under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) pursuant to an initial order (as amended and restated, the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). Among other things, the Initial Order appointed Alvarez & Marsal Canada Inc. as monitor (in such capacity, the “**Monitor**”).

On January 17, 2025, the Comark Group obtained an amended and restated initial order (the “**ARIO**”), which, among other things, authorized the Applicants and the Monitor pursuant to paragraph 12(f) of the ARIO to pursue all offers for or avenues of refinancing, restructuring, selling or reorganizing the Business or Property, in whole or part, pursuant to any solicitation process letter establishing bid procedures (including minimum proposal requirements, key milestones, and successful bid selection criteria) as may be determined by the Applicants and Monitor in consultation with the DIP Lender, for circulation to potentially interested parties identified by the Applicants and the Monitor (the “**Sale Process**”).

On January 17, 2025, the Court also granted a Realization Process Approval Order authorizing the Comark Group to conduct a sale of the Applicants’ merchandise and furniture, fixtures and equipment (the “**Realization Process**”). The Realization Process is currently ongoing.

Further information regarding the CCAA proceedings, including a copy of the ARIO, can be accessed [here](#). Capitalized terms used herein but not defined have the meanings given to them in the ARIO.

This Process Letter is being provided pursuant to paragraph 12(f) of the ARIO to provide interested parties with:

- (i) an update on the Sale Process to date, including certain transactions that have been entered into by the Comark Group, as described below;
- (ii) information with respect to the submission of a bid pursuant to this Process Letter for the remaining assets of the Comark Group, and more particularly the business and assets of Bootlegger, and other leases and other assets that may be available in respect of certain Ricki’s, cleo and Bootlegger locations (all as may be discussed in more detail with the Monitor); and
- (iii) certain key milestones that have been established pursuant to this Process Letter.

For purposes of this Process Letter, please be advised that:

- (i) on January 29, 2025, Ricki’s and cleo entered into a definitive term sheet with a third-party for the sale of the business and certain assets of Ricki’s and cleo (the “**Ricki’s/cleo Transaction**”). The Ricki’s/cleo Transaction includes the sale of the inventory, FF&E, intellectual property and certain retail store leases of Ricki’s and cleo, and assumption of certain obligations of Ricki’s and cleo. Subject to Court approval, this transaction is scheduled to close on or around February 7, 2025. Accordingly, it is expected that only

certain assets of Ricki's and cleo will remain available for purchase in this next phase of the Sale Process (the "**Remaining Ricki's/cleo Assets**"); and

- (ii) on January 28, 2025, the Comark Group entered into a stalking horse term sheet with Warehouse One Clothing Ltd. (the "**Stalking Horse Purchaser**"), an affiliate of the Comark Group, for the sale of the business and certain assets of Bootlegger, together with certain remaining assets of the Comark Group (the "**Stalking Horse Term Sheet**"). The Stalking Horse Term Sheet contemplates the Stalking Horse Purchaser purchasing the inventory, FF&E, intellectual property and at least 25 retail store leases of Bootlegger, and assumption of certain other assets and liabilities of Bootlegger and the Comark Group (the "**Stalking Horse Transaction**").

The Comark Group and the Stalking Horse Purchaser are in the process of negotiating and finalizing a definitive agreement of purchase and sale on substantially the terms of the Stalking Horse Term Sheet (the "**Stalking Horse Purchase Agreement**"). Participants in the Sale Process will be provided with a copy of the Stalking Horse Purchase Agreement once it is executed.

As set out in the Stalking Horse Term Sheet, the purchase price payable by the Stalking Horse Bidder for the purchased assets described therein (the "**Stalking Horse Purchase Price**") is equal to: (i) a cash payment equal to the Outstanding Senior Secured Indebtedness (as defined in the Stalking Horse Term Sheet) on the closing date of the Stalking Horse Transaction; and (ii) an amount equal to the Retained Liabilities (as defined in the Stalking Horse Term Sheet), to be satisfied through the retention of such Retained Liabilities. The quantum of the Outstanding Senior Secured Indebtedness will fluctuate from time to time and will not be known with certainty until the closing date of the Stalking Horse Transaction (to the extent that it is the successful bid in the Sale Process). Interested parties should refer to the cash flow forecast included in the Second Report of the Monitor filed in the CCAA proceedings for the estimated range of the Outstanding Senior Secured Indebtedness during the period February 28, 2025 to March 14, 2025. Interested parties can also address questions with respect to the Stalking Horse Purchase Price to the Monitor.

Interested parties wishing to pursue a transaction for (i) the business or assets of Bootlegger, and/or (ii) the Remaining Ricki's/cleo Assets are required to (i) execute a standard form of confidentiality agreement, and (ii) prepare and submit a non-binding Expression of Interest ("**EOI**"). Parties who sign the confidentiality agreement will be provided with access to a data room established for the purposes of the Sale Process.

Pursuant to this Process Letter, any EOI must be received by the Monitor by no later than **5:00pm Eastern Time on February 20, 2025** ("**EOI Bid Deadline**").

Key Milestones

The following table sets out the key milestones for the Sale Process, which can be extended or modified by the Monitor in its discretion:

Date	Milestone
January 30, 2025	Formal Commencement of the Sale Process
February 4, 2025	Court Hearing scheduled for the approval of (i) the Ricki's/cleo Transaction and (ii) the Sale Process contemplated hereby, including the Stalking Horse Transaction as a stalking horse bid

Date	Milestone
February 20, 2025	EOI Bid Deadline
February 28, 2025	Selection of the successful bid
April 21, 2025	Outside date for closing of the transaction (the “ Outside Date ”)

Bid Requirements

Your EOI must comply with the following requirements and must be signed by a senior officer with the authority to submit such an EOI. Your EOI should reflect the best and most attractive basis upon which you would make an offer based on the information available to you and should include, in reasonable detail, the following:

1. **Structure:** Provide a description of proposed transaction structure, including an indication: (i) which of Bootlegger’s and the Comark Group’s remaining assets you are proposing to acquire or invest in, including a description of such assets or shares to be purchased and, liabilities (if any) to be assumed; and (ii) whether the proposed transaction is to be implemented by way of an “asset vesting order”, “reverse vesting order” or an alternative structure.
2. **Consideration:** State the cash consideration, expressed in Canadian dollars, which you will be prepared to pay and the valuation methodology you have used, including any working capital assumptions.

In order to be a Qualified Bidder (as defined below) in the Sale Process in relation to the assets subject to the Stalking Horse Transaction, your purchase price must, at a minimum, provide cash sufficient to pay in full upon closing: (i) the Stalking Horse Purchase Price; (ii) an incremental overbid amount of \$100,000; and (iii) an administrative reserve to wind-down the CCAA proceedings in an amount to be discussed with the Monitor. There is no minimum bid amount in relation to the Remaining Ricki’s/cleo Assets that are not purchased assets pursuant to the Stalking Horse Transaction.

3. **Purchaser:** Please include details on the identity of the proposed purchaser, including background and financial information and advisors that have been or are expected to be retained by the proposed purchaser. Please include the identity of the purchaser’s material shareholders along with any entity or person that will be sponsoring, participating in or benefiting from the proposed transaction. If the purchaser will be a newly formed entity, please identify the entity or entities that will provide backstops in the form of a guarantee and/or equity commitment letter and describe the nature of such arrangement(s).
4. **Financing:** Your EOI provides written evidence that will allow the Monitor, in consultation with the Applicants, to make a reasonable business judgment as to your ability to consummate the proposed transaction within the timeframe contemplated by the Sale Process. Such information should include, among other things, the intended sources and quantum of equity and debt financing for the transaction, evidence of the availability of such financing (e.g., any received term sheets or indications of interest, including associated conditions and timing requirements or internal resources), and details on any actions you have taken to date to obtain funding commitment(s).

5. **Strategy:** Describe the strategic rationale for your interest in Bootlegger and/or the Comark Group and your plans for the business going forward. If applicable, please provide relevant information regarding the anticipated offers of employment to current employees and management.
6. **Approvals:** Describe the level of review and approval your EOI has received by senior officers/directors of your organization, as well as a description of any additional corporate, board, unitholder, shareholder, investment committee, regulatory or other material approvals that would be required prior to your submission of a definitive binding proposal. Your EOI should also provide the expected timeframe for obtaining such approvals.
7. **Closing Conditions:** Set out any conditions to closing that you wish to impose or any other terms and conditions that would be required in order to complete the proposed transaction. Transactions must be structured so as to be capable of closing by no later than the Outside Date set out above. Your ability to close the proposed transaction in advance of the Outside Date will be a factor to be considered by the Monitor in assessing your proposed transaction.
8. **Due Diligence:** Provide a detailed outline of any due diligence requirements that you would require to submit a binding proposal and the timeframe you would require to complete any remaining due diligence.
9. **Fees and Expenses:** Confirm that you will bear your own costs and expenses (including legal and advisor fees) in connection with the EOI and proposed transaction.
10. **Other:** Please set out any other factors you believe may be relevant to the Monitor and the Applicants in evaluating your EOI.

Bid Submission

Interested parties wishing to pursue a transaction for the business and assets of Bootlegger, and/or the Remaining Ricki's/cleo Assets, are asked to submit a non-binding EOI before the EOI Bid Deadline to the attention of:

Josh Nevsky
Managing Director
jnevsky@alvarezandmarsal.com

Justin Karayannopoulos
Director
jkarayannopoulos@alvarezandmarsal.com

Following the EOI Bid Deadline, the Monitor, in consultation with the Applicants, shall assess the EOIs received. If the Monitor determines that an EOI constitutes a qualified bid pursuant to the requirements of this Process Letter (each, a “**Qualified Bid**”), then the participant who submitted the EOI will be deemed to be qualified to continue to participate in the Sale Process (in that capacity a “**Qualified Bidder**”) and the Monitor will notify each participant that has been selected as a Qualified Bidder. The Stalking Horse Bidder is deemed to be a Qualified Bidder for all purposes of the Sale Process.

In the event that no participants are selected as a Qualified Bidder, or the Monitor has determined in its reasonable business judgment that it would not be appropriate to select any Qualified Bidders, the Monitor will, as soon as reasonably possible, declare the Stalking Horse Bidder as the successful bidder with respect to the assets subject to the Stalking Horse Purchase Agreement. Any successful bid(s) identified in the Sale

Process (including the Stalking Horse Transaction, as applicable) will be subject to approval by the Court in the CCAA proceedings.

If one or more Qualified Bids (in addition to the Stalking Horse Transaction) are received in the Sale Process, the Monitor, in consultation with the Applicants, will establish a process and timing for the selection of the successful bid, which may (but is not required to) include an auction process. The process and timing for the selection of the successful bid will be communicated to Qualified Bidders.

Neither the Monitor nor the Applicants, nor their respective affiliates or advisors, assume any liability or obligation whatsoever to any interested party in connection with the Sale Process, including, but not limited to, as a result of the rejection of any or all of the bids, the acceptance of another party's bid or the amendment or termination of the Sale Process and, for further clarity, the Monitor and the Applicants expressly reserve the right at any time, with or without providing notice or reasons, to do any of the foregoing. No party will be entitled for any reason (including, without limitation, any modification of the Sale Process contemplated herein) to reimbursement for any costs or expenses incurred in reliance upon the Sale Process procedures described in this letter, as such procedures may be modified from time to time. No finder's fees, commissions, expenses or other compensation will be paid by the Applicants, their affiliates or their advisors to agents, consultants, advisors or other intermediaries of any party. The Applicants, their affiliates and their advisors reserve the right to amend any information which has been made available to interested parties whether by way of addition, deletion, amendment or otherwise.

Pursuant to the confidentiality agreement, under no circumstances are you permitted to contact any of the Applicants' executives, employees, directors, shareholders, affiliates, lenders, customers, suppliers, vendors or service providers with respect to any transaction unless consented to by the Applicants or the Monitor. All communications or inquiries regarding the Sale Process or any other matters, relating to this letter should be directed to the Monitor.

We appreciate your interest and look forward to receiving your EOI.

APPENDIX “C”
UPDATED CASH FLOW FORECAST

See attached.

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

	Notes	Week 1 Feb 01	Week 2 Feb 08	Week 3 Feb 15	Week 4 Feb 22	Week 5 Mar 01	Week 6 Mar 08	Week 7 Mar 15	7-Week TOTAL
Receipts	1	5,788	5,787	5,661	1,389	1,412	1,387	1,553	22,978
Disbursements									
Payroll	2	1,286	426	1,321	138	458	138	888	4,654
Rent	3	1,250	476	1,250	63	339	65	54	3,496
Sales Tax Payable		-	-	2,712	-	-	-	510	3,221
Liquidation Fees	4	400	423	287	118	114	113	121	1,576
Warehouse & Corporate	5	425	475	475	63	238	238	213	2,125
Duties, Freight & Shipping	6	767	700	454	403	73	73	-	2,470
Professional Fees		-	600	2,144	221	-	221	225	3,412
Utilities, Maintenance & Other	7	180	80	130	130	16	41	16	594
Merchandise	8	826	826	-	-	-	-	-	1,652
Credit Card Fees		433	-	-	-	-	57	32	522
Wind-Down Reserve		-	-	-	-	-	-	250	250
Interest & Fees		-	199	225	-	-	109	-	533
Total Disbursements		5,567	4,205	8,998	1,135	1,237	1,055	2,309	24,505
Net Cash Flow		221	1,583	(3,337)	254	175	333	(756)	(1,527)
<u>Cash & Borrowings</u>									
Cash on Hand		100	100	100	100	100	100	100	100
Pre-filing Revolver									
Opening Balance		8,950	2,569	-	-	-	-	-	8,950
Repayments		(6,381)	(2,569)	-	-	-	-	-	(8,950)
Ending Revolver		2,569	-	-	-	-	-	-	-
DIP Financing									
Opening Balance		7,095	12,662	13,648	4,185	3,931	3,756	3,423	7,095
Additional Draws		5,567	4,205	8,998	1,135	1,237	1,055	2,309	24,505
Repayments		-	(3,218)	(5,661)	(1,389)	(1,412)	(1,387)	(1,553)	(14,621)
Transaction Proceeds		-	-	(12,800)	-	-	-	-	(12,800)
Ending DIP Balance		12,662	13,648	4,185	3,931	3,756	3,423	4,179	4,179
Add: Term Loan		2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Outstanding Senior Secured Indebtedness		17,531	15,948	6,485	6,231	6,056	5,723	6,479	6,479

Comark Group
Updated 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.

Readers are advised to review in full the Monitor’s Second Report, which provides additional information regarding the going-concern transactions that are forecast to occur in the Updated Cash Flow Forecast.

1) Collections

Includes receipts from the sale of goods through retail stores and e-comm. Collections for the first three weeks in the Forecast are attributable to sales from Ricki’s, cleo, and Bootlegger, while collections following the closing of the Putman Transaction, during the remaining four weeks, are only attributable to Bootlegger.

2) Payroll

Includes payroll, benefits, and taxes during the forecast period. Payroll disbursements for the first three weeks in the Forecast are attributable to Ricki’s, cleo, and Bootlegger, while payroll payments in the remaining four weeks is only attributable to Bootlegger.

3) Rent

Includes payments required to operate the stores 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. Rent disbursements for the first three weeks in the Forecast are attributable to Ricki’s, cleo, and Bootlegger, while rent in the remaining four weeks is only attributable to Bootlegger.

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). Disbursements for the first three weeks in the Forecast are attributable to Ricki’s, cleo, and Bootlegger, while disbursements in the remaining four weeks are only attributable to Bootlegger.

6) Duties, Freight & Shipping

Includes estimated fees to import and ship merchandise to retail stores and customers. Disbursements for the first three weeks in the Forecast are attributable to Ricki's, cleo, and Bootlegger, while disbursements in the remaining four weeks are only attributable to Bootlegger.

7) Utilities, Maintenance & Other

Includes utilities and maintenance, IT costs and other miscellaneous expenses. Disbursements for the first three weeks in the Forecast are attributable to Ricki's, cleo, and Bootlegger, while disbursements in the remaining four weeks are only attributable to Bootlegger.

8) Merchandise

Includes payments to overseas vendors to release in-transit merchandise for Ricki's, cleo, and Bootlegger. 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

SECOND REPORT OF THE MONITOR

GOODMANS LLP

Barristers & Solicitors
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Canada M5H 2S7

Brendan O'Neill LSO#: 43331J
boneill@goodmans.ca

Bradley Wiffen LSO#: 64279L
bwiffen@goodmans.ca

Josh Sloan LSO#: 90581H
jsloan@goodmans.ca

Tel: 416.979.2211
Fax: 416.979.1234

Lawyers for the Monitor