

**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 INC.

APPLICANT

**SUPPLEMENTARY AFFIDAVIT OF GERALD BACHYNSKI
(Sworn March 26, 2015)**

I, Gerald Bachynski, of the Town of Oakville, in the Province of Ontario, the President and Chief Executive Officer of the Applicant, Comark Inc. ("**Comark**" or the "**Company**"), MAKE OATH AND SAY:

1. I swore an affidavit on March 25, 2015 (the "**Initial Affidavit**"), in support of a filing by the Applicant under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended (the "**CCAA**").
2. As noted in the Initial Affidavit, I have been with Comark or one of its divisions for 39 years. I have held the positions of President and Chief Executive Officer of Comark since January 2008. Prior to that, I held the position of President of the Ricki's banner for almost 20 years. As such, I have personal knowledge of the matters deposed to in this Affidavit. Where I have relied on other sources for information, I have specifically referred to such sources and verily believe them to be true. In particular, I obtained much of the financial information in this Affidavit from the current, outgoing and the new, incoming Chief Financial Officers of Comark.
3. This Affidavit provides additional information in respect of certain matters contained in the Initial Affidavit. Capitalized terms in this Affidavit that are not otherwise defined have the same meanings as in the Initial Affidavit.
4. As described in the Initial Affidavit, the purpose of this CCAA Application is to find a going concern solution for Comark's business through the implementation of the SISF. I

have been advised by Houlihan Lokey Capital, Inc. (“**Houlihan Lokey**”), the Financial Advisor to the Applicant, that in order to maximize recoveries for stakeholders, it is necessary to run a comprehensive marketing process within the time periods set out in the SISP. I have also been advised by Houlihan Lokey that stability and certainty for the Company is crucial to having a successful SISP.

5. As described in the Initial Affidavit, Comark needs access to credit to enable it to have sufficient liquidity to operate as a going concern as it attempts to restructure. Access to credit is necessary to provide comfort to suppliers, landlords, utility providers and employees that Comark will be able to continue going concern operations during the pendency of the SISP. Further, I have been advised by Houlihan Lokey that potential purchasers or investors may not be willing to invest the time and resources to pursue this opportunity without the Applicant being adequately funded.

6. In the Initial Affidavit, I described that Comark commenced working with Houlihan Lokey in mid-2014 to canvas the market and identify interested parties who would be prepared to refinance Comark and who would be prepared to refinance Comark’s indebtedness with respect to the Cerberus Credit Facility. I am advised by Houlihan Lokey that they contacted 56 parties regarding the refinancing. The Company met with nine prospective financiers as part of this process. Salus was one of the parties that the Company met with during this process. Salus was the only financier that was prepared to individually provide the Company with funds on commercially reasonable terms that would take out the entire Cerberus debt.

7. As described in the Initial Affidavit, all receipts from operations were deposited into an account at TD prior to the Event of Default under the Salus Credit Agreement. That TD account is the same account that is the Blocked Account referenced in my Initial Affidavit. As a result of the Event of Default set out in the Initial Affidavit, Salus exercised its right under the Salus Credit Agreement and related Blocked Account Agreement to require that the funds that are deposited into the Blocked Account are paid to it, rather than the Company. Accordingly, the only change that has happened since the Event of Default is that the funds in the Blocked Account can no longer be accessed by the Company of its own volition. The Company must now receive advances from Salus to fund its operations based on a calculation of its then existing collateral forming part of its borrowing base under its lending arrangements. Salus has advised

that it is only willing to continue funding Comark in these CCAA proceedings through the DIP Facility, which incorporates the current arrangements with respect to the Blocked Account as described above.

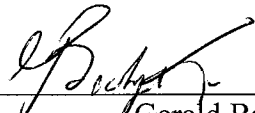
8. As set out in the cash flow attached as Appendix "A" to the Pre-Filing Report of the Proposed Monitor, the peak funding requirement during the 13-week period is approximately CAD\$28 million dollars during the week ending May 2, 2015. Comark requires \$15 million during the week ending April 11, 2015. As such, Comark is proposing a maximum DIP Charge of CAD\$28 million in the draft Initial Order with a restriction on borrowing of CAD\$15 million prior to the comeback hearing scheduled on April 7, 2015.

9. In the circumstances, and as I noted in paragraph 11 of the Initial Affidavit, I believe that the DIP Facility is the only available option which provides Comark with adequate liquidity to continue operations as a going concern and maximize its enterprise value for the benefit of all of its stakeholders.

SWORN BEFORE ME at the Town of }
 }
Oakville, in the Province of Ontario, this }
 }
26th day of March, 2015. }



Commissioner for Taking Affidavits



Gerald Bachynski

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APPLICANT

Court File No. *Cv15-10920-00CL*

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**PROCEEDING COMMENCED AT
TORONTO**

**SUPPLEMENTARY AFFIDAVIT OF
GERALD BACHYNSKI
(SWORN MARCH 26, 2015)**

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