

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
MENDOCINO CLOTHING COMPANY LTD., A CORPORATION WITH A HEAD OFFICE
IN THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

**MOTION RECORD
(Returnable August 10, 2020)**

Date: July 31, 2020

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Company Ltd.**

TO: SERVICE LIST

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
MENDOCINO CLOTHING COMPANY LTD.**

SERVICE LIST

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**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
MENDOCINO CLOTHING COMPANY LTD., A CORPORATION WITH A HEAD OFFICE
IN THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

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TAB 1

Estate/Court File No. 31-2658047

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
MENDOCINO CLOTHING COMPANY LTD., A CORPORATION WITH A HEAD
OFFICE IN THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

**NOTICE OF MOTION
(Returnable August 10, 2020)**

Mendocino Clothing Company Ltd. (the “**Company**” or “**Mendocino**”) will make a motion to a Judge of the Commercial List on Monday, August 10, 2020, at 11:00 a.m., or as soon after that time as the motion can be heard, via Zoom videoconference as a result of the Covid-19 pandemic. Please refer to the conference details attached as **Schedule “A”** hereto in order to attend the motion and advise if you intend to join the hearing by emailing Sanea Tanvir at stanvir@chaitons.com by no later than 5:00 p.m. on August 5, 2020 with the following details: (i) the name of the legal counsel attending and his/her email address; (ii) the client’s name; and (iii) a summary of the position that the party in attendance intends to take on the motion.

PROPOSED METHOD OF HEARING: The motion is to be heard orally via videoconference.

THE MOTION IS FOR:

1. an order substantially in the form attached hereto as **Schedule “B”**, among other things,

- (a) approving the sale process in respect of Mendocino's remaining inventory, intellectual property and other assets as set out the First Report of KSV Kofman Inc. ("**KSV**") in its capacity as proposal trustee of the Company (the "**Proposal Trustee**") (the "**First Report**"), including a stalking horse bid from a related party;
 - (b) extending the time for filing a proposal (the "**Proposal Period**") pursuant to the *Bankruptcy and Insolvency Act*, RSC 1983, c B-3, as amended (the "**BIA**") to September 28, 2020;
 - (c) approving the Administration Charge (as defined below) in the amount of \$250,000;
 - (d) authorizing the Company to continue using the Cash Management System (as defined below); and
2. such other relief as the Company may request and the Court may deem appropriate.

THE GROUNDS FOR THE MOTION ARE:

Overview of the Company and Business

1. The Company is a private company incorporated under the Ontario *Business Corporations Act*, R.S.O. 1990, c. B. 16 with its registered head office located in Toronto, Ontario.
2. The Company is a fashion apparel retailer that carries on business from leased locations under the trade names "Mendocino" and "M Boutique". Over time, the Company transitioned away from the "Mendocino" branded stores and opened more stores under the brand "M Boutique".

3. Prior to the government-mandated shutdown due to the Covid-19 pandemic, the Company operated 27 retail locations in the Greater Toronto Area and surrounding area.

Employees

4. Before the government-mandated shutdown due to the Covid-19 pandemic, the Company employed approximately 400 people, all of whom were non-unionized.
5. Of these employees, approximately 20 occupied senior management and administrative positions, and the balance were retail sales staff and supervisors.
6. Due to the Covid-19 pandemic, the Company laid off substantially all of its store sales staff on or about March 15, 2020. Employees were offered the opportunity to return to work when certain store locations were permitted to re-open according to governmental directives starting in June 2020.

The Company's Liabilities

7. The Company is currently indebted to The Toronto Dominion Bank (“**TD Bank**”) in the amount of approximately \$1.2 million pursuant to an operating line facility and various term loan facilities. TD Bank holds a first-ranking security interest over all of the Company's assets pursuant to a General Security Agreement.
8. Aside from TD Bank, a search of the Personal Property Security Registration System in Ontario discloses registrations in favour of landlords at two store locations in respect only of their respective locations, and certain leased vehicles.

9. The Company has liabilities to unsecured creditors totaling approximately \$5.8 million as of the Filing Date (defined below), including claims by landlords for rent arrears but not including any claims they may have in connection with lease terminations.

Current Financial Position

10. The Covid-19 pandemic forced a shutdown of all of the Company's locations as of March 15, 2020.
11. The closure of its stores for over three months due to the Covid-19 crisis and the resulting severe impairment of the Company's cash flow has resulted in the Company being unable to sustain payments owed to creditors. For the period of February to June 2020, the Company lost over \$10 million in sales compared to the same period in 2019. For the month of June 2020 alone, the Company lost over \$2.8 million in sales compared to the same month in 2019.
12. The Company stopped paying rent for its retail stores in April 2020. Based on the rates and terms under the Company's leases, the Company is in arrears of rent of approximately \$2.7 million (not including HST) for the period of April to July, 2020. While the Company started reopening certain stores as legally permitted, only 11 stores are currently open, and these stores are operating in a highly constrained retail environment. The Company does not have sufficient funds to pay its amounts owing for rent arrears at all locations.
13. The Company is in the process of discussing with its various landlords mutually acceptable arrangements for the payment of rent.

The NOI Proceeding

14. On July 14, 2020 (the “**Filing Date**”), the Company filed a Notice of Intention to File a Proposal (“**NOI**”) under the BIA (the “**NOI Proceeding**”). The NOI filing was necessary to provide stability to the Company and permit the implementation of the liquidation of the Company’s inventory and a process for the sale of the Company’s remaining inventory, intellectual property and other assets. KSV is the trustee in the NOI Proceeding.
15. The cash flow forecast prepared by the Company with the assistance of the Proposal Trustee (the “**Cash Flow Period**”) shows that the Company is expected to have sufficient liquidity to operate to the end of the Cash Flow Period provided that it continues to have access to the cash in its current accounts.

Sale Process

16. The Company, together with the Proposal Trustee, has determined that realizations from the Company’s current inventory holdings can be maximized through store sales conducted by the Company at certain locations. The Company expects that the store inventory liquidation process should be completed by August 30, 2020.
17. The Company expects that during this period it will continue to generate sales through its on-line platform.
18. The First Report describes the proposed process for the sale of the Company’s remaining inventory, intellectual property and other assets, including a stalking horse bid from a related party.

Cash Management

19. In the ordinary course of its business, the Company uses a centralized cash management system (the “**Cash Management System**”) to, among other things, collect funds and pay expenses associated with its operations.
20. The Company maintains three bank accounts with TD Bank in Canadian and US dollars. The Company also has several credit card facilities with TD Bank. All revenue from online sales and sales made in store are deposited in the TD Bank accounts. Disbursements for operating expenses and payroll are made from the TD Bank accounts.
21. The Company proposes to continue to use the existing Cash Management System with the consent of TD Bank.

Administration Charge

22. The Company seeks an order granting a charge over its property securing the fees and disbursements of counsel to the Company, the Proposal Trustee and its counsel in the amount of \$250,000 (the “**Administration Charge**”). The professionals whose fees are to be secured by the Administration Charge have taken on, and will continue to take on, a critical role in this proceeding.
23. The amount of the Administration Charge contemplates that professionals are paid on a current basis during these proceedings.

Extension of NOI Period

24. The Proposal Period is set to expire on August 13, 2020.

25. A 45-day extension of the Proposal Period will give the Company the time needed to move forward with implementation of the steps described above with a view to maximizing realizations for the benefit of the Company's stakeholders and make progress towards achieving the terms of a proposal for consideration of the Company's creditors.
26. The Company will likely be able to make a viable proposal to its creditors if the extension is granted, provided that sufficient funds are generated from store sales during the liquidation period.
27. No creditors would be prejudiced by this extension.

General

28. Sections 50.4(9), 64.2, 69.1 and 183 of the BIA.
29. Rules 1.04, 1.05, 2.03, 3.02 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended.
30. Such further and other grounds as counsel for the Plaintiff may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. the Affidavit of Jan Kaplan sworn July 30, 2020 and the exhibits thereto;
2. the First Report and the appendices thereto; and
3. such further and other materials as counsel may advise and this Honourable Court may permit.

Date: July 31, 2020

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**Lawyers for Mendocino Clothing Company
Ltd.**

TAB A

Schedule "A"

ZOOM video conference link for this motion:

<https://us02web.zoom.us/j/4169172121?pwd=MlNlTei9tejZGbFNFN0tLcWpDUW5LZz09>

Meeting ID: 416 917 2121

Passcode: June2020

TAB B

Estate/Court File No. 31-2658047

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE)	MONDAY, THE 10 th
)	
JUSTICE)	DAY OF AUGUST, 2020

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
MENDOCINO CLOTHING COMPANY LTD., A CORPORATION WITH A HEAD
OFFICE IN THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

ORDER

THIS MOTION, made by Mendocino Clothing Company Ltd. (the “**Company**”), for an order, *inter alia*: approving a sale process in respect of the Company’s remaining inventory, intellectual property and other assets; extending the time for the Company to file a proposal pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-3 (the “**BIA**”); approving an Administration Charge (as defined and described below); and for certain other relief as described in the Company’s Notice of Motion, was heard this day virtually via videoconference as a result of the Covid-19 pandemic.

ON READING the Notice of Motion, the Affidavit of Jan Kaplan sworn on July 30, 2020 and the exhibits thereto (the “**Kaplan Affidavit**”) and the First Report of KSV Kofman Inc. (“**KSV**”) in its capacity as proposal trustee of the Company (in such capacity, the “**Proposal Trustee**”) and the appendices thereto (the “**First Report**”), and on hearing the submissions of

counsel for the Proposal Trustee, for the Company, and such other counsel in attendance on the videoconference,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Company's Notice of Motion, Motion Record and First Report is hereby abridged and validated, and the manner of service of the Notice of Motion, Motion Record and First Report is hereby validated, so that this motion is properly returnable today, and hereby dispenses with further service thereof.

EXTENSION OF TIME TO FILE A PROPOSAL

2. **THIS COURT ORDERS** that pursuant to Section 50.4(9) of the BIA, the time for the Company to file a proposal is hereby extended to September 28, 2020.

APPROVAL OF SALE PROCESS

3. **THIS COURT ORDERS** that the Sale Process including the Bidding Procedures (as defined in the First Report) and the auction process as described in the First Report is hereby approved. The Proposal Trustee is hereby authorized to perform its obligations under and in accordance with the Sale Process and to take such further steps as it considers necessary or desirable in carrying out the Sale Process, subject to prior approval of this Court being obtained before completion of any transaction(s) under the Sale Process.

4. **THIS COURT ORDERS** that the execution of the Stalking Horse Agreement (as defined in the First Report) by the Company is hereby authorized and approved (for the purposes of being

the stalking horse bid), with such minor amendments as the Company (with the consent of the Proposal Trustee) and the Purchaser may agree to in writing.

5. **THIS COURT ORDERS** that the Expense Reimbursement Fee (as defined in the Stalking Horse Agreement) be and is hereby approved.

6. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Proposal Trustee, the Company and each of their representatives are hereby authorized and permitted to disclose and transfer to each potential bidder (the “**Bidders**”) and to their representatives, if requested by such Bidders, personal information of identifiable individuals, including, without limitation, all human resources and payroll information in the Company’s records pertaining to the Company’s past and current employees, but only to the extent desirable or required to negotiate or attempt to complete a sale pursuant to the Sale Process (a “**Sale**”). Each Bidder or representative to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation for the purpose of effecting a Sale, and if it does not complete a Sale, shall return all such information to the Proposal Trustee, or in the alternative destroy all such information and provide confirmation of its destruction if requested by the Proposal Trustee.

7. **THIS COURT ORDERS** that the Proposal Trustee shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded to the Proposal Trustee under the BIA or any applicable legislation.

CASH MANAGEMENT

8. **THIS COURT ORDERS** that the Company shall be entitled to continue to utilize the cash management system currently in place as described in the Kaplan Affidavit or replace it with another substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Company of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person other than the Company, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor with regard to any claims or expenses it may suffer or incur in connection with the provisions of the Cash Management System.

ADMINISTRATION CHARGE

9. **THIS COURT ORDERS** that the Proposal Trustee, counsel for the Proposal Trustee, and counsel for the Company (collectively, the “**Administrative Professionals**”) shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on all of the Company’s present and future assets, undertakings and property of every nature and kind whatsoever and wherever situate, including all proceeds thereof (collectively, the “**Property**”), which charge shall not exceed an aggregate amount of \$250,000, as security for payment of their respective professional fees and disbursements incurred at their standard hourly rates, both before and after the making of this Order, in respect of this proceeding.

10. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge shall not be required, and that the Administration Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Administration Charge coming into existence, notwithstanding any failure to file, register, record or perfect.

11. **THIS COURT ORDERS** that the Administration Charge shall constitute a charge on the Property and such Administration Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, the “**Encumbrances**”), in favour of any individual, firm, corporation, governmental body or agency or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”).

12. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the Administration Charge, unless the Company also obtains the prior written consent of each of the Administrative Professionals, or upon further Order of this Court.

13. **THIS COURT ORDERS** that the Administration Charge shall not be rendered invalid or unenforceable, and the rights and remedies of the Administrative Professionals shall not otherwise be limited or impaired in any way, by (a) the pendency of this proceeding and the declarations of insolvency made herein; (b) any motion(s) or application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such motions or applications; (c) the filing of any assignments for the general benefit of creditors made or deemed to have been

made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan document, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Company, and notwithstanding any provision to the contract in any Agreement:

- (a) the creation of the Administration Charge shall not create or be deemed to constitute a breach by the Company of any Agreement to which it is a party;
- (b) none of the Administrative Professionals shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Administration Charge; and
- (c) the payment made by the Company pursuant to this Order and the granting of the Administration Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

14. **THIS COURT ORDERS** that any charge created by this Order over leases of real property in Canada shall only be a charge in the Company’s interest in such real property leases.

SERVICE AND NOTICE

15. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service->

[protocol/](#)) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* (the “**Rules**”), this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules. Subject to Rule 3.01(d) of the Rules and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL ‘<<https://www.ksvadvisory.com/insolvency-cases/case/mendocino-clothing>>’.

16. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Company and the Proposal Trustee are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Company’s creditors or other interested parties at their respective addresses as last shown on the records of the Company and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

17. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

18. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or the United States, to give effect to this Order and to assist the Company, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are

hereby respectfully requested to make such orders and to provide such assistance to the Company and the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Company and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

19. **THIS COURT ORDERS** that each of the Company or the Proposal Trustee shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

20. **THIS COURT ORDERS** that any interested party (including the Company and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

Estate/Court File No.: 31-2658047

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

ORDER

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Lawyers for Mendocino Clothing Company Ltd.

TAB 2

Estate/Court File No. 31-2658047

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
MENDOCINO CLOTHING COMPANY LTD., A CORPORATION WITH A HEAD
OFFICE IN THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

**AFFIDAVIT OF JAN KAPLAN
(sworn July 30th, 2020)**

I, JAN KAPLAN, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

1. I am the President of the applicant, Mendocino Clothing Company Ltd. (the “**Company**” or “**Mendocino**”) and have occupied that position since approximately 1989. As a result of my role with Mendocino, I have knowledge of the matters to which I depose in this affidavit, save and except for such facts or matters which are stated to be based on information and belief, and where so stated, I believe same to be true.
2. This affidavit is sworn in support of a motion sought by the Company seeking:
 - a. approval of the sale process in respect of Mendocino’s remaining inventory, intellectual property and other assets;
 - b. an extension of the time for filing a proposal (the “**Proposal Period**”) pursuant to the *Bankruptcy and Insolvency Act*, RSC 1983, c B-3, as amended (the “**BIA**”) to September 28, 2020;
 - c. approval of the Administration Charge (as defined and described below) in the amount of \$250,000;
 - d. authorizing the Company to continue using the Cash Management System (as defined below) currently in place; and

- e. such other relief as the Company may request and the Court may deem appropriate.

OVERVIEW OF THE COMPANY AND OPERATIONS

The Company

3. The Company is a private company incorporated under the Ontario *Business Corporations Act*, R.S.O. 1990, c. B. 16 whose registered head office is located at 496 Gilbert Avenue, Toronto, Ontario. The Company was incorporated on March 26, 1987 and amalgamated with Brown Elm Developments Limited on February 1, 2010.

The Business

4. The Company is a fashion apparel retailer that carries on business from leased locations under the trade names “Mendocino” and “M Boutique”. Over time, the Company transitioned away from the “Mendocino” branded stores and opened more stores under the brand “M Boutique”. Prior to the government-mandated shutdown due to the Covid-19 pandemic, the Company operated 27 retail locations in the Greater Toronto Area and surrounding area.

5. The Company’s inventory is bought mainly from various wholesale manufacturers in Canada and the United States.

6. The Company stores its excess inventory in two warehouses located in Toronto, each of which is leased from related companies.

Employees

7. Before businesses were required to shut down due to the Covid-19 pandemic, the Company employed approximately four hundred (400) people, all of whom were non-unionized. Of these employees, approximately twenty (20) occupied senior management and administrative positions and three hundred and the balance were retail sales staff and supervisors. The Company does not sponsor any pension plans for its employees.

8. Due to the Covid-19 pandemic, the Company laid off substantially all of its store sales staff on or about March 15, 2020. Employees were offered the opportunity to return to work when

certain store locations were permitted to re-open according to governmental directives starting in June 2020.

E-Commerce

9. The Company first began selling on-line on April 11, 2020 and continues to sell online during the Covid-19 pandemic.

10. The Company currently has a retailing platform with e-commerce which allows customers to order online and ship to their homes. Customers shopping on the website are able to access and purchase any product for delivery.

Intellectual Property

11. The Company owns intellectual property which includes trade names and customer lists.

THE COMPANY'S LIABILITIES

TD Bank

12. The Company is currently indebted to The Toronto Dominion Bank (“**TD Bank**”) in the amount of approximately \$1.2 million pursuant to an operating line facility and various term loan facilities. As security for this debt, TD Bank holds a first-ranking security interest over all of the Company's assets pursuant to a General Security Agreement dated June 24, 2014, a copy of which is attached hereto as **Exhibit “A”**.

PPSA Registrations

13. A search of the Personal Property Security Registration System in Ontario (“**PPRS**”) as of July 26, 2020 shows that the only registrations against the Company are by TD Bank, landlords at two store locations in respect only of their respective locations, and for leased vehicles. A copy of the PPRS search results is attached hereto as **Exhibit “B”**.

Employee Liabilities

14. The Company is current in respect of payment of employee wages and amounts required to be remitted to governmental authorities for source deductions or otherwise.

Other Indebtedness

15. The Company has liabilities to unsecured creditors totalling approximately \$5.8 million as of the Filing Date (defined below), including claims by landlords for rent arrears but not including any claims they may have in connection with lease terminations.

CURRENT FINANCIAL POSITION

16. The Covid-19 pandemic forced a shutdown of all the Company's locations as of March 15, 2020.

17. The closure of its stores for over three months due to the Covid-19 crisis and the resulting severe impairment of the Company's cash flow has resulted in the Company being unable to sustain payments owed to creditors. For the period of February to June 2020, the Company lost over \$10 million in sales compared to the same period in 2019. For the month of June 2020 alone, the Company lost over \$2.8 million in sales compared to the same month in 2019. Copies of the Company's profit and loss statements for the period February to June 2020 and for the month of June 2020 alone are collectively attached hereto as **Exhibit "C"**.

18. The Company stopped paying rent for its retail stores in April 2020. Based on the rates and terms under the Company's leases, the Company is in arrears of rent of approximately \$2.7 million (not including HST) for the period of April to July, 2020. While the Company started reopening certain stores as legally permitted, only 11 stores are currently open, and these stores are operating in a highly constrained retail environment. The Company does not have sufficient funds to pay its amounts owing for rent arrears at all locations.

19. The Company's most current unaudited financial statements are for the fiscal year ended January 31, 2020. Copies of these statements are attached hereto as **Exhibit "D"**.

20. Attached hereto as **Exhibit “E”** are internal financial statements for the period ending June 30, 2020.

THE NOI PROCEEDING

21. As noted above, the Company, like many other retailers, is experiencing financial difficulties as a result of the Covid-19 pandemic. As a result, on July 14, 2020 (the “**Filing Date**”), the Company filed a Notice of Intention to File a Proposal (“**NOI**”) under the BIA (the “**NOI Proceeding**”). The NOI filing was necessary to provide stability to the Company and permit the implementation of the liquidation of the Company’s inventory and a process for the sale of the Company’s remaining inventory, intellectual property and other assets, which is further described below.

22. KSV Kofman Inc. (“**KSV**”) is the trustee in the NOI Proceeding (the “**Proposal Trustee**”).

Cash Flows

23. The Proposal Trustee has assisted the Company in preparing a cash flow forecast (the “**Cash Flow Forecast**”) which sets out projected cash flows for the period from July 14, 2020 to September 19, 2020 (the “**Cash Flow Period**”), a copy of which will be filed by the Trustee for the Company’s motion.

24. As set out in the Cash Flow Forecast, the Company is expected to have sufficient liquidity to operate to the end of the Cash Flow Period provided that it continues to have access to the cash in its current accounts.

Sale Process

25. The Company, together with the Proposal Trustee, has determined that realizations from the Company’s current inventory holdings can be maximized through store sales conducted by the Company at certain locations. The Company expects that the store inventory liquidation process should be completed by August 30, 2020.

26. During this period, the Company also expects to continue to generate sales through its on-line platform.

27. The Company has discussed with the Proposal Trustee a process for the sale of its intellectual property and all other assets, which I understand will be described in the report filed by the Proposal Trustee for the Company's motion.

28. The Company is in the process of discussing with its various landlords mutually acceptable arrangements for the payment of rent.

Cash Management

29. In the ordinary course of its business, the Company uses a centralized cash management system (the "**Cash Management System**") to, among other things, collect funds and pay expenses associated with its operations.

30. The Company maintains three bank accounts with TD Bank in Canadian and US dollars. The Company also has several credit card facilities with TD Bank.

31. All revenue from online sales and sales made in store are deposited in the TD Bank accounts. Before the Covid-19 pandemic, the Company used satellite accounts to deposit funds where a store was not located near a TD Bank. None of these accounts are currently being used. Disbursements for operating expenses and payroll are made from the TD Bank accounts.

32. The Company proposes to continue to use the existing Cash Management System with the consent of TD Bank.

Administration Charge

33. The Company seeks an order granting a charge over its property securing the fees and disbursements of counsel to the Company, the Proposal Trustee and its counsel in the amount of \$250,000 (the "**Administration Charge**"). The professionals whose fees are to be secured by the Administration Charge have taken on, and will continue to take on, a critical role in this proceeding.

34. The Company has worked with the Proposal Trustee to estimate the proposed quantum of the Administration Charge and I believe it to be reasonable and appropriate in the circumstances.

The amount of the Administration Charge contemplates that professionals are paid on a current basis during these proceedings.

35. The Administration Charge is proposed to rank first in priority over its property.

Extension of NOI Period

36. I understand that the Proposal Period is set to expire on August 13, 2020.

37. A 45-day extension of the Proposal Period would give the Company the time needed to move forward with implementation of the steps described above with a view to maximizing realizations for the benefit of the Company's stakeholders and make progress towards achieving the terms of a proposal for consideration of the Company's creditors.

38. The Company will likely be able to make a viable proposal to its creditors if the extension is granted, provided that sufficient funds are generated from store sales during the liquidation period.

39. I am not aware of any creditors who would be harmed by the extension of the Proposal Period by 45 days.

SWORN before me at the City)
of Toronto, Province of)
Ontario, this 30th day)
of July, 2020)



A Commissioner, Etc.



JAN KAPLAN

**THIS IS EXHIBIT "A" TO
THE AFFIDAVIT OF JAN KAPLAN
SWORN BEFORE ME THIS 30th
DAY OF JULY, 2020.**

A handwritten signature in blue ink, appearing to read "Jan Tan", is written above a horizontal line.

A Commissioner etc.



**TD Bank Group
General Security Agreement**

TO: The Toronto-Dominion Bank (the "Bank")

Branch of the Bank: _____

Granted By: MENDOCINO CLOTHING COMPANY LTD
(the "Grantor")

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Grantor agrees with the Bank as follows:

1. Security Interest

The Grantor hereby grants to the Bank a security interest in, and assigns (other than with respect to trade-marks), mortgages, charges and pledges (collectively, the "Security Interest") to the Bank, all property of the Grantor, including all property of the kind hereinafter described below, in which the Grantor now has, or hereafter acquires, any right, title or interest, and accretions and accessions thereto (collectively called the "Collateral"):

- (a) **Intangibles.** All intangible property not otherwise described in this Section 1, including all contractual rights and insurance claims, options, permits, licences, quotas, subsidies, franchises, orders, judgments, patents, trademarks, trade names, trade secrets and know-how, inventions, goodwill, copyrights and other intellectual property of the Grantor, including any right or licence to use intellectual property belonging to a third party (collectively called "Intangibles");
- (b) **Chattel Paper and Documents of Title.** All chattel paper and all warehouse receipts, bills of lading and other documents of title, whether negotiable or not;
- (c) **Deposits and Credit Balances.** All monies and credit balances, including interest due thereon, which are now or may hereafter from time to time be on deposit with or standing to the credit of the Grantor with the Bank or any other bank, financial institution or other Person;
- (d) **Books and Records.** All deeds, documents, writings, papers, books of account and other books and records in any form, electronic or otherwise, relating to or evidencing any of the Collateral;
- (e) **Accounts and Book Debts.** All debts, accounts, claims and choses in action for moneys now due or owing or accruing due or which may hereafter become due or owing to the Grantor, including claims against the Crown in right of Canada or of any province, moneys which may become payable under any policy of insurance (collectively called "Accounts and Book Debts"), together with all contracts, securities, bills, notes, lien notes, judgments, mortgages, letters of credit and advices of credit, and all other rights, benefits and documents which are now or which may be taken, vested in or held by the Grantor in respect of or as security for the Accounts and Book Debts or any part thereof, and the full benefit and advantage thereof and all rights of actions, claims or demands which the Grantor now has or may hereafter have in respect of the foregoing;
- (f) **Equipment.** All tools, machinery, apparatus, equipment, vehicles, furniture, plants, fixtures, and other tangible personal property, other than Inventory, wherever situate, including the assets, if any, described in Schedule "A" hereto (collectively called "Equipment");
- (g) **Inventory.** All goods forming the inventory of the Grantor, of whatever kind and wherever located, whether raw material, work in process or finished goods held for sale, lease or resale, or furnished or to be furnished under contracts for service or used or consumed in the business of the Grantor, goods used in or procured for packing or packaging, timber cut or to be cut, oil, gas and minerals extracted or to be extracted, all livestock and the young thereof after conception and all crops which become such within one year after the date of execution of this Agreement (collectively called "Inventory");
- (h) **Instruments.** All bills, notes, cheques, letters of credit and other instruments, whether negotiable or not (collectively called "Instruments");
- (i) **Securities.** All shares, stocks, warrants, options, bonds, debentures, debenture stock and all other securities and investment property of any kind and all instruments, whether negotiable or non-negotiable, and interest thereon and dividends, whether in shares, money or property, received or receivable upon or in respect of any securities and other investment property and all money or other property paid or payable on account of any return on, or repayment of, capital in respect of any securities or otherwise distributed or distributable in respect thereof or that will in any way be charged to, or be payable out of or in respect of, the capital of the issuer of the securities (collectively called "Securities");
- (j) **Real Property.** All real and immovable property, both freehold and leasehold, together with all buildings and fixtures (collectively called "Real Property"), and all rights under any lease or agreement relating to Real Property;

- (k) Proceeds. All proceeds of the property described above, including any property in any form derived directly or indirectly from any use or dealing with the property described above or the proceeds therefrom or that indemnifies or compensates for damage or loss to such property or the proceeds therefrom, including the money held in banks, financial institutions or any other Person (collectively called "Proceeds");

provided that (i) the Security Interest does not and will not extend to, and the Collateral will not include, any agreement, lease, right, franchise, licence or permit (the "contractual rights") to which the Grantor is a party or of which the Grantor has the benefit, to the extent that the Security Interest would permit any person to terminate the contractual rights unless the consent of one or more Persons has been obtained and until such consent has been obtained, which the Grantor agrees it will use commercially reasonable efforts to obtain if requested by the Bank, the Grantor agrees to hold its interest therein in trust for the Bank, and notwithstanding the foregoing, contractual rights shall not include any account or chattel paper; and (ii) with respect to Real Property, (A) the Security Interest granted hereby is constituted by way of a floating charge, but will become a fixed charge upon the earlier of the Obligations becoming immediately payable, and the occurrence of any other event that by operation of law would result in such floating charge becoming a fixed charge; and (B) the assignment, mortgage and charge granted hereby will not extend to the last day of the term of any lease or agreement relating to Real Property, but the Grantor will hold such last day in trust for the Bank and, upon the enforcement by the Bank of its Security Interest, will assign such last day as directed by the Bank.

2. Obligations Secured

The Security Interest secures the payment and performance of all present and future obligations of the Grantor to the Bank, including all debts and liabilities, direct or indirect, absolute or contingent, matured or not, wheresoever and howsoever incurred, whether incurred before, at the time of, or after the execution of this Agreement, whether the indebtedness and liability is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again, whether arising from dealings between the Bank and the Grantor or from other dealings or proceedings by which the Bank may be or become in any manner whatsoever a creditor of the Grantor, and in any currency, whether incurred by the Grantor alone or with another or others and whether as a principal or surety, including all interest thereon and all amounts owed by the Grantor under this Agreement for fees, costs and expenses and in respect of indemnities granted under this Agreement (collectively called the "Obligations").

3. Definitions

- (a) Any word or term that is not otherwise defined in this Agreement shall have the meaning given to it in the *Personal Property Security Act* of the province in which the Branch of the Bank is located, as amended from time to time, and being referred to in this Agreement as the "PPSA". Any reference herein to "Collateral" shall, unless the context requires otherwise, be deemed to be a reference to "Collateral or any part thereof".
- (b) The following terms shall have the respective meanings set out below:

"Branch of the Bank" means the branch of the Bank located at the address specified above.

"Business Day" means any day other than a Saturday, Sunday or statutory holiday in the province in which the Branch of the Bank is located.

"Control Agreement" means:

- (a) with respect to any uncertificated security, an agreement between the issuer of such uncertificated security and any Person whereby such issuer agrees to comply with instructions that are originated by such Person in respect of such uncertificated security, without the further consent of the Grantor; and
- (b) with respect to any securities account or security entitlement, an agreement between the securities intermediary which maintains the particular securities account to which security entitlements included in the Collateral relate and any Person whereby such securities intermediary agrees to comply with any entitlement orders with respect to such securities accounts or security entitlements that are originated by such Person, without the further consent of the Grantor.

"Person" means any individual, sole proprietorship, joint venture, partnership, corporation, company, firm, association, co-operative, estate, government, government agency, regulatory authority, trust, or any entity of any nature.

4. Representations & Warranties

The Grantor hereby represents and warrants with the Bank and so long as this Agreement remains in effect shall be deemed to continuously represent and warrant that:

- (a) **Location of Head Office.** The address of the Grantor's chief executive office and the office where it keeps its records respecting the Accounts and Book Debts (the "Head Office") is set out below the name of the Grantor on the signature page of this Agreement;

- (b) **Location of Collateral.** The Collateral which is goods is or will be located at the address set out on the signature page of this Agreement or at the locations specified in Schedule "A" hereto or such other locations as have been agreed to by the Bank in writing, except for (i) goods in transit to such locations and (ii) Inventory on lease or consignment, but including all fixtures, crops, oil, gas or other minerals to be extracted and all timber to be cut which forms part of the Collateral;
- (c) **Collateral Free and Clear.** The Collateral (other than Real Property) is the sole property of the Grantor free and clear of all security interests, liens, charges, mortgages, hypothecs, leases, licenses, infringements by third parties, encumbrances, statutory liens or trusts, other adverse claims or interests, or any rights of others, except for those security interests which are expressly approved by the Bank in writing prior to their creation or assumption;
- (d) **Amount of Accounts.** Each Account and Book Debt, Chattel Paper and Instrument constituting Collateral is enforceable in accordance with its terms against the party obligated to pay the same (the "Account Debtor") and the amount represented by the Grantor to the Bank from time to time as owing by each Account Debtor or by all Account Debtors will be the correct amount unconditionally owing by such Account Debtor or Account Debtors, and no Account Debtor will have any defence, set-off, claim or counterclaim against the Grantor which can be asserted against the Bank, whether in any proceeding to enforce Collateral or otherwise;
- (e) **Status and Binding Obligation.** The Grantor (i) if a corporation or company, has been duly incorporated, amalgamated or continued, as the case may be, and is validly existing as a corporation or company, as the case may be, under the laws of its jurisdiction of incorporation, amalgamation or continuance, as the case may be, (ii) if not a corporation or company, has been duly created or established as a partnership, limited partnership or other entity and validly exists under the laws of the jurisdiction in which it has been created or established, and (iii) is duly qualified to carry on business and own property in each jurisdiction where it carries on business or where any of its property is located. The Grantor has adequate power, capacity and authority to carry on its business, own property, borrow monies and enter into agreements therefor, execute and deliver this Agreement, and perform its obligations under this Agreement, which Agreement constitutes a legally valid and binding obligation of the Grantor enforceable in accordance with its terms. The making of this Agreement will not result in the breach of, constitute a default under, contravene any provision of, or result in the creation of, any lien, charge, security interest, encumbrance or any other rights of others upon any property of the Grantor pursuant to any agreement, indenture or other instrument to which the Grantor is a party or by which the Grantor or any of its property may be bound or affected; and
- (f) **Intellectual Property.** All intellectual property applications and registrations are valid, subsisting, unexpired, enforceable, in good standing and have not been abandoned and the Grantor is the owner of the applications and registrations.

5. Covenants

The Grantor covenants and agrees with the Bank that:

- (a) **Place of Business and Location of Collateral.** The Grantor shall not change its name or the location of its Head Office, amalgamate with any other Person, or move any of the Collateral from the address set out on the signature page of this Agreement or the locations specified in Schedule "A" hereto other than in accordance with clause 5(g), without the prior written consent of the Bank;
- (b) **Notification.** The Grantor shall notify the Bank promptly of: (i) any change in the information contained herein or in Schedule "A" hereto relating to the Grantor, the Grantor's business or Collateral; (ii) the details of any significant acquisition of Collateral; (iii) the details of any claims or litigation affecting the Grantor or the Collateral and will furnish the Bank with copies of the details of such claims or litigation; (iv) any loss or damage to Collateral or any material adverse change in the value of Collateral; and (v) any default by any Account Debtor in payment or other performance of its obligations with respect to Collateral;
- (c) **Performance of Obligations.** The Grantor shall observe and perform all its obligations under all material leases, licenses, undertakings and agreements to which it is a party, obtain and preserve its rights, powers, licences, privileges, franchises and goodwill thereunder, and comply with all applicable laws, by-laws, rules, regulations and ordinances in a proper and efficient manner so as to preserve and protect the Collateral and the business and undertaking of the Grantor in all material respects. The Grantor shall also pay all rents, taxes, rates, levies, assessments and government fees or dues levied, assessed or imposed in respect of the Collateral and other charges or any part thereof as and when the same become due and payable, and shall provide to the Bank, when requested, the receipts and vouchers evidencing payment;
- (d) **Limitations on Discounts, Extensions of Accounts and Compromises.** The Grantor shall not grant any extension of time for payment of any Accounts or Book Debts, or compromise, compound or settle any Accounts or Book Debts for less than the full amount, or release, wholly or partially, any Person liable for the payment of any Accounts or Book Debts, or allow any credit or discount of any Account or Book Debt, other than in the ordinary course of business of the Grantor and consistent with industry practices;

- (e) **Payment of Fees and Expenses.** The Grantor will pay the Bank on demand all costs, fees and expenses (including legal fees on a solicitor and his own client basis) incurred by the Bank in the preparation, execution, registration and perfection of this Agreement and the carrying out of any of the provisions of this Agreement, including, protecting and preserving the Security Interest and enforcing by legal process or otherwise the remedies provided herein. All such costs and expenses payable by the Grantor to the Bank shall bear interest from time to time at the highest interest rate then applicable to any of the Obligations, calculated and compounded monthly, and shall be added to and form part of the Obligations secured hereunder;
- (f) **Maintenance and Protection of Collateral/No Fixtures.** The Grantor shall care for, protect and preserve the Collateral and not permit its value to be impaired and will not permit the Collateral to be affixed to real or personal property so as to become a fixture or accession without the prior written consent of the Bank. The Grantor shall keep the Collateral in good order, condition and repair and shall not use the Collateral in violation of the provisions of this Agreement or any other agreement relating to the Collateral or any policy insuring the Collateral or any applicable statute, law, by-law, rule, regulation or ordinance. The Grantor will keep all licences, permits, agreements, registrations and applications relating to intellectual property used by Grantor in its business in good standing, unless otherwise agreed to in writing by the Bank. The Grantor shall apply to register all existing and future copyrights, trade-marks, patents, integrated circuit topographies and industrial designs whenever it is commercially reasonable to do so. The Grantor shall defend title to the Collateral against all claims and demands of all other Persons claiming the same or an interest therein and shall diligently initiate and prosecute legal action against every Person who infringes upon the Grantor's rights in intellectual property;
- (g) **Dealing with Collateral.** (i) The Grantor will not sell, lease, transfer, assign, deliver or otherwise dispose of the Collateral or any interest therein without the prior written consent of the Bank, except that the Grantor may, until an event of default as hereinafter provided occurs, deal with any Inventory or Real Property (other than fixtures financed by the Bank and any replacements or substitutions therefor) in the ordinary course of business so that the purchaser thereof takes title thereto free and clear of the Security Interest; (ii) All Proceeds shall continue to be subject to the Security Interest, granted hereby and all money received by the Grantor as Proceeds, other than from the sale of Inventory, shall be received as trustee for the Bank and shall be held separate and apart from other money of the Grantor, and shall be paid over to the Bank upon request; (iii) All money collected or received by the Bank in respect of the Collateral may be applied on account of such parts of the Obligations as the Bank in its sole discretion determines, or may be held unappropriated in a collateral account, or in the discretion of the Bank may be released to the Grantor, all without prejudice to the Bank's rights against the Grantor; (iv) Before an event of default occurs hereunder, the Bank may give notice of this Agreement and the Security Interest to any Account Debtor who is obligated to the Grantor under any of the Accounts and Book Debts and, after the occurrence of an event of default hereunder, may give notice to any such Account Debtor to make all further payments to the Bank, and any payment or other Proceeds received by the Grantor from an Account Debtor after an event of default whether before or after any notice is given by the Bank, shall be held by the Grantor in trust for the Bank and paid over to the Bank on request. The Bank shall have the right at any time and from time to time to verify the existence and state of the Collateral in any manner the Bank may consider appropriate and the Grantor agrees to furnish all assistance and information and to perform all such acts as the Bank may reasonably request in connection therewith and for such purpose to grant to the Bank or its agents access to all places where Collateral may be located and to all premises occupied by the Grantor;
- (h) **Maintenance of Records.** The Grantor will keep proper books of account in accordance with sound accounting practice and mark any and all such records and the Collateral at the Bank's request so as to indicate the Security Interest. The Grantor shall furnish to the Bank such financial information and statements and such information and statements relating to the Collateral as the Bank may from time to time require and shall permit the Bank or its agents at any time at the expense of the Grantor to examine the books of account and other financial records and reports relating to the Collateral and to make copies thereof and take extracts therefrom and to make inquiries of third parties for the purpose of verification of such information. The Grantor authorizes any Person holding any Books and Records to make them available, in a readable form, upon the request of the Bank. The Grantor will deliver to the Bank any Documents of Title, Instruments, Securities and Chattel Paper constituting, representing or relating to Collateral;
- (i) **Negative Pledge.** The Grantor will not create, incur, assume or suffer to exist, any mortgage, deed of trust, pledge, lien, security interest, assignment, charge, hypothec, encumbrance or statutory lien or trust (including any conditional sale, or other title retention agreement or finance lease) of any nature, on any of the Collateral (other than Real Property, but not including any fixtures financed by the Bank and any replacements or substitutions therefor) without the express prior written consent of the Bank;
- (j) **Insurance.** The Grantor will keep the Collateral insured under policies with such coverage, for such amounts and with such insurers as are satisfactory to the Bank from time to time, with loss thereunder, payable to the Bank and shall furnish the Bank with a copy of any policy of insurance, certificate of insurance or other evidence satisfactory to the Bank that such insurance coverage is in effect;
- (k) **Further Assurances.** The Grantor will from time to time forthwith, at the expense of the Grantor, duly authorize, execute and deliver such further instruments and documents, and take such further action, as the Bank may request for the purpose of obtaining or preserving the benefits of, and the rights and powers granted by, this Agreement (including the filing of any financing statements or financing change statements under any applicable legislation with respect to the Collateral) and for the purpose of correcting any deficiencies or clerical errors in this Agreement; and

- (l) **Landlord Agreement.** The Grantor will, at the request of the Bank, obtain a written agreement from each landlord of premises where any of the Collateral is located, in favour of the Bank and in form and substance satisfactory to the Bank, whereby such landlord agrees to give notice to the Bank of any default by the Grantor under the lease and a reasonable opportunity to cure such default prior to the exercise of any remedies by the landlord and acknowledges the Security Interest created by this Agreement and the right of the Bank to enforce the Security Interest created by this Agreement in priority to any claim of such landlord, including the right of the landlord to distrain on the Collateral for arrears of rent.

6. Survival of Representations and Warranties and Covenants

All agreements, representations, warranties and covenants made by the Grantor in this Agreement are material, will be considered to have been relied on by the Bank and will survive the execution and delivery of this Agreement or any investigation made at any time by or on behalf of the Bank and any disposition or payment of the Obligations until the indefeasible repayment and performance in full of the Obligations.

7. Performance of Covenants by The Bank

- (a) The Bank may, in its sole discretion and upon notice to the Grantor, perform any covenant of the Grantor under this Agreement that the Grantor fails to perform including any covenant the performance of which requires the payment of money, provided that the Bank will not be obligated to perform such covenant on behalf of the Grantor. The performance by the Bank of any such covenant shall not oblige the Bank to continue to perform any such covenant or other covenants nor relieve the Grantor from any default or derogate from the rights and remedies of the Bank under this Agreement. The Grantor agrees to indemnify and to reimburse the Bank for all costs and expenses incurred by the Bank in connection with the performance by it of any such covenant, and all such costs and expenses shall be payable by the Grantor to the Bank on demand, shall bear interest at the highest rate per annum applicable to any of the Obligations, calculated and compounded monthly, and shall be added to and form part of the Obligations.
- (b) In holding any Collateral, the Bank and any agent or nominee on its behalf is only bound to exercise the same degree of care as it would exercise with respect to similar property of its own or of similar value held in the same or similar location. The Bank and any agent or nominee on its behalf will be deemed to have exercised reasonable care with respect to the custody and preservation of the Collateral if it takes such action for that purpose as the Grantor reasonably requests in writing, but failure of the Bank or its nominees to comply with any such request will not of itself be deemed a failure to exercise reasonable care.

8. Securities, Investment Property

If Collateral at any time includes Securities, the Grantor authorizes the Bank to transfer all or any of such Securities into its own name or that of its nominee(s) so that the Bank or its nominee(s) may appear on record as the sole owner thereof; provided that, until default, the Bank shall deliver promptly to the Grantor all notices or other communications received by it or its nominee(s) as such registered owner and, upon demand and receipt of payment of any necessary expenses thereof, shall issue to the Grantor or its order a proxy to vote and take all action with respect to such Securities. After default, the Grantor waives all rights to receive any notices or communications received by the Bank or its nominee(s) as such registered owner and agrees that no proxy issued by the Bank to the Grantor or its order as aforesaid shall thereafter be effective.

Where any Investment Property is held in or credited to an account that has been established with a securities intermediary, the Bank may, at any time give a notice of exclusive control to any such securities intermediary with respect to such Investment Property.

The Grantor has not consented to and covenants that it will not consent to, the entering into of a Control Agreement by: (a) any issuer of any uncertificated securities included in or relating to the Collateral; or (b) any securities intermediary for any securities accounts or security entitlements included in or relating to the Collateral, other than, in either case, a Control Agreement to which the Bank is a party.

Promptly upon request from time to time by the Bank, the Grantor shall:

- (a) enter into and use reasonable commercial efforts to cause any securities intermediary for any securities accounts or securities entitlements included in or relating to the Collateral to enter into a Control Agreement with the Bank with respect to such securities accounts or securities entitlements as the Bank requires in form and substance satisfactory to the Bank; and
- (b) enter into and use reasonable commercial efforts to cause any issuer of any uncertificated securities included in or relating to the Collateral to enter into a Control Agreement with the Bank with respect to such uncertificated securities in form and substance satisfactory to the Bank.

9. Dealing with Security Interest

The Bank may grant extensions of time and other indulgences, give up any of the Security Interest, abstain from perfecting any of the Security Interest, accept compositions, grant releases and discharges and waive rights against and otherwise deal with the Grantor, Account Debtors of the Grantor, sureties and others and with any of the Collateral and any other security as the Bank may see fit without prejudice to the liability of the Grantor or the Bank's right to hold and realize any of the Security Interest. The Bank shall not be accountable to the Grantor for the value of any of the Security Interest released except for any moneys actually received by the Bank.

10. Deposits and Credit Balances

Without limiting any other rights or remedies of the Bank, the Bank may, without notice to the Grantor or any other Person, any notice being expressly waived by the Grantor, set-off and apply all or any of the amounts standing to or for the credit of the Grantor at the Bank or any of the Bank's affiliates, in any currency, against and on account of all or any part of the Obligations, all as the Bank may see fit, whether or not the Obligations or the amounts standing to or for the credit of the Grantor are due and payable. The Bank is authorized and shall be entitled to make such debits, credits, correcting entries, and other entries to the Grantor's accounts and the Bank's records relating to the Grantor as the Bank regards as desirable in order to give effect to the Bank's rights hereunder and the Grantor agrees to be bound by such entries absent manifest error. When applying a deposit or other obligation in a different currency than the Obligations to the Obligations, the Bank will convert the deposit or other obligation to the currency of the Obligations using the rate of exchange for the conversion of such currency as determined by the Bank or its agents and the Bank or its agent may earn revenue on such conversion.

11. Events of Default

Obligations not payable on demand shall, at the option of the Bank, become immediately due and payable upon the occurrence of one or more of the following events (each, an "event of default"):

- (a) the Grantor fails to pay when due, whether by acceleration or otherwise, any of the Obligations;
- (b) the Grantor fails to perform any provision of this Agreement or of any other agreement to which the Grantor and the Bank are parties;
- (c) if any certificate, statement, representation, warranty, audit report or financial statement heretofore or hereafter furnished by or on behalf of the Grantor pursuant to or in connection with this Agreement, or as an inducement to the Bank to extend any credit to or to enter into this or any other agreement with the Grantor, is shown to have been false in any material respect or to have omitted any material fact; or if upon the date of execution of this Agreement, there shall have been any material adverse change in any of the facts disclosed by any such certificate, representation, statement, warranty, audit report or financial statement, which change shall not have been disclosed to the Bank at or prior to the time of such execution;
- (d) the Grantor ceases or threatens to cease to carry on business, commits an act of bankruptcy, becomes insolvent, proceedings or other actions are taken by or against the Grantor under the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) or similar legislation whether in Canada or elsewhere, or the Grantor transfers all or substantially all of its assets to another Person;
- (e) a receiver, trustee, custodian or other similar official is appointed in respect of the Grantor or any of the Grantor's property;
- (f) the institution by or against the Grantor of any formal or informal proceeding for the dissolution or liquidation or settlement of claims against or winding up of affairs of the Grantor;
- (g) an encumbrancer takes possession of any of the Collateral or any process of execution or distress is levied or enforced upon or against any of the Collateral;
- (h) any indebtedness or liability of the Grantor, other than to the Bank, becomes due and payable, or capable of being declared due and payable, before the stated maturity thereof or any such indebtedness or liability shall not be paid at the maturity thereof or upon the expiration of any stated applicable grace period thereof, or the Grantor fails to make payment when due under any guarantee given by the Grantor;
- (i) if the Grantor is an individual, the Grantor dies or is found by a court to be incapable of managing his or her affairs;
- (j) an execution or any other process of any court shall become enforceable against the Grantor;
- (k) if the Grantor is a partnership, the death of a partner; or
- (l) any other event which causes the Bank, in good faith, to deem itself insecure;

and the Bank shall not be required to make any further advances or other extension of credit that constitutes an Obligation.

12. Remedies

- (a) Upon the occurrence of an event of default that has not been cured or waived, the Bank, in addition to any right or remedy otherwise provided herein or by law, will have the rights and remedies set out below, which may be enforced successively or concurrently:
 - (i) to take such steps as the Bank considers desirable to maintain, preserve or protect the Collateral or its value;

- (ii) to take possession of the Collateral and require the Grantor to assemble the Collateral and deliver or make the Collateral available to the Bank at such place as may be specified by the Bank, and the Bank will not be or be deemed to be a mortgagee in possession by virtue of any such actions;
 - (iii) to exercise and enforce all rights and remedies of the Grantor with respect to the Collateral, including collecting and realizing upon all Accounts and Book Debts;
 - (iv) to carry on or concur in carrying on all or any part of the business of the Grantor;
 - (v) for the maintenance, preservation or protection of the Collateral or for carrying on any of the business of the Grantor, to borrow money on the security of the Collateral, which security will rank in priority to the Security Interest, or on an unsecured basis;
 - (vi) to the exclusion of all others, including the Grantor, to enter upon, occupy and use all or any of the premises, buildings and plants owned or occupied by the Grantor and use all or any of the Collateral of the Grantor for such time as the Bank requires to facilitate the preservation and realization of the Collateral, free of charge, and the Bank will not be liable to the Grantor for any neglect in so doing or in respect of any rent, charges, depreciation or damages in connection with such actions;
 - (vii) to sell, lease, license or otherwise dispose of or concur in selling, leasing, licensing or otherwise disposing of the Collateral upon such terms and conditions as the Bank may determine;
 - (viii) to dispose of any of the Collateral in the condition in which it was at the date possession of it was taken, or after any commercially reasonable repair, processing or preparation thereof for disposition;
 - (ix) if any part of the Collateral is perishable or will decline speedily in value, to sell or otherwise dispose of same without giving any notice of such disposition;
 - (x) to make any arrangement or compromise which the Bank shall think expedient in the interests of the Bank, including compromising any Accounts and Book Debts, and giving time for payment thereof with or without security;
 - (xi) to appoint a consultant or monitor, at the Grantor's expense, to evaluate the Grantor's business and the value of the Collateral, and to review the options available to the Bank; and
 - (xii) to appoint or reappoint by instrument in writing any person or persons, whether an officer or officers or employee or employees of the Bank or not, to be a receiver or receivers or a receiver and manager of the Collateral and remove or replace any person or persons so appointed or apply to any court for the appointment of a receiver or receiver and manager (each hereinafter called a "Receiver").
- (b) Any Receiver so appointed shall be deemed to be the agent of the Grantor and not the Bank, and the Grantor and not the Bank, shall be solely responsible for the Receiver's acts or defaults and for the Receiver's remuneration and expenses. The Bank shall not be in any way responsible for any misconduct, negligence or failure to act on the part of any such Receiver, its servants, agents or employees.
- (c) The Grantor agrees to pay all costs, charges and expenses incurred by the Bank or any Receiver appointed by the Bank, whether directly or for services rendered (including reasonable legal and auditors' costs and expenses and Receiver remuneration), in operating the Grantor's accounts, in preparing or enforcing this Agreement, taking and maintaining custody of, preserving, repairing, processing, preparing for disposition and disposing of Collateral and in enforcing or collecting the Obligations, and all such costs, charges and expenses, together with any amounts owing as a result of any borrowing by the Bank or any Receiver appointed by the Bank, as permitted hereby, shall be a first charge on the Collateral and shall be secured hereby.
- (d) The Bank will give the Grantor such notice, if any, of the date, time and place of any public sale or of the date after which any private disposition of Collateral is to be made as may be required by the PPSA.
- (e) Upon default and receiving written demand from the Bank, the Grantor agrees to take such further action as may be necessary to evidence and effect an assignment or licensing of intellectual property to whomever the Bank directs, including to the Bank. The Grantor appoints any officer or employee of the Bank to be its attorney in accordance with applicable legislation with full power of substitution, to do on the Grantor's behalf anything that is required to assign, license or transfer, and to record any assignment, license or transfer of the Collateral. This power of attorney, which is coupled with an interest, is irrevocable until the release or discharge of the Security Interest.
- (f) The Grantor authorizes the Bank to file such financing statements, financing change statements and other documents and do such acts, matters and things (including completing and adding schedules hereto identifying any Collateral or identifying the locations at which the Collateral is located and correcting any clerical errors or deficiencies in this Agreement) as the Bank may deem appropriate to perfect on an ongoing basis and continue the Security Interest, to protect and preserve Collateral and to realize upon the Security Interest. The Grantor hereby irrevocably constitutes and appoints the Bank and any of its officers or employees from time to time as the true and lawful attorney of the Grantor, with full power of substitution, to do any of the foregoing in the name of the Grantor whenever and wherever it may be deemed necessary or

expedient. This power of attorney, which is coupled with an interest, is irrevocable until the release or discharge of the Security Interest.

If the disposition of the Collateral fails to satisfy the Obligations secured by this Agreement including the expenses incurred by the Bank in connection with the preservation and realization of the Collateral as described above, the Grantor shall be liable to pay any deficiency to the Bank forthwith on demand.

13. Environmental License and Indemnity

The Grantor hereby grants to the Bank and its officers, employees and agents an irrevocable and non-exclusive license, subject to the rights of tenants, to enter any Real Property to conduct investigations, inspections, audits, testing and monitoring with respect to any contaminants or hazardous substances and to remove and analyze samples of any contaminants or hazardous substances at the cost and expense of the Grantor (which cost and expense will form part of the Obligations and will be payable immediately on demand and secured hereby). The Grantor hereby indemnifies and will indemnify the Bank and agrees to hold the Bank harmless against and from all losses, fines, penalties, costs, damages and expenses which the Bank may sustain, incur or be held to be or for which it may become liable, at any time whatsoever for or by reason of or arising from the past, present or future presence of or, clean-up, removal or disposal of any contaminants or hazardous substances from, on, under or adjacent to any Real Property owned by the Grantor or which may become owned or occupied by the Bank or as a result of the Bank's compliance with environmental laws or environmental orders relating thereto, including any clean-up, decommissioning, restoration or remediation of any Real Property owned or occupied by the Grantor or other affected or adjacent lands or property. This indemnification will survive the satisfaction, release or extinguishment of the Obligations created hereby

14. Miscellaneous

- (a) **Interpretation.** The division of this Agreement into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "hereunder" and similar expressions refer to this Agreement (including any schedule now or hereafter annexed hereto) and not to any particular Section or other portion hereof. Unless otherwise specified, any reference herein to a Section or Schedule refers to the specified Section or Schedule to this Agreement. In this Agreement: (i) words importing the singular number only shall include the plural and vice versa and words importing the masculine gender shall include the feminine and neuter genders and vice versa; (ii) the words "include", "includes" and "including" mean "include", "includes" or "including", in each case, "without limitation"; (iii) reference to any agreement or other instrument in writing means such agreement or other instrument in writing as amended, modified, replaced or supplemented from time to time; (iv) unless otherwise indicated, time periods within which a payment is to be made or any other action is to be taken hereunder shall be calculated excluding the day on which the period commences and including the day on which the period ends; and (v) whenever any payment to be made or action to be taken hereunder is required to be made or taken on a day other than a Business Day, such payment shall be made or action taken on the next following Business Day.
- (b) **Successors and Assigns.** This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. In any action brought by an assignee of this Agreement and the Security Interest or any part thereof to enforce any rights hereunder, the Grantor shall not assert against the assignee any claim or defence which the Grantor now has or hereafter may have against the Bank.
- (c) **Amalgamation.** The Grantor acknowledges and agrees that in the event it amalgamates with any other company or companies it is the intention of the parties hereto that the term "Grantor" when used herein shall apply to each of the amalgamating companies and to the amalgamated company, such that the Security Interest granted hereby (i) shall extend to "Collateral" (as that term is herein defined) in which any amalgamating company has any rights at the time of amalgamation and to any "Collateral" in which the amalgamated company thereafter has any rights, and (ii) shall secure the "Obligations" (as that term is herein defined) of each of the amalgamating companies and the amalgamated company to the Bank at the time of amalgamation and any "Obligations" of the amalgamated company to the Bank thereafter arising.
- (d) **Joint and Several.** If there is more than one Grantor named herein, the term "Grantor" shall mean all and each of them, their obligations under this Agreement shall be joint and several, the Obligations shall include those of all or any one of them and no Grantor shall have the right of subrogation, exoneration, reimbursement or indemnity whatsoever and no right of recourse to the Collateral for the Obligations hereunder unless and until all of the Obligations have been paid or performed in full, notwithstanding any change for any cause or in any manner whatsoever in the composition of or membership of any firm or company which is a party hereto.
- (e) **Attachment of Security Interest.** The Grantor acknowledges that value has been given and that the Security Interest granted hereby will attach when the Grantor signs this Agreement and will attach to Collateral in which the Grantor subsequently acquires any rights, immediately upon the Grantor acquiring such rights. The parties do not intend to postpone the attachment of any Security Interest created by this Agreement.

- (f) **No Obligation to Advance.** Neither the execution of this Agreement nor any advance of funds shall oblige the Bank to advance any funds or any additional funds or enter into any transaction or renew any note or extend any time for payment of any of the Obligations of the Grantor to the Bank.
- (g) **Information.** The Bank may provide any financial and other information it has about the Grantor, the Security Interest and the Collateral to any one acquiring or who may acquire an interest in the Security Interest or the Collateral from the Bank or anyone acting on behalf of the Bank.
- (h) **Assignment.** The Bank may assign or transfer any of its rights under this Agreement without the consent of the Grantor. The Grantor may not assign its obligations under this Agreement without the prior written consent of the Bank.
- (i) **Amendment.** Subject to Section 12(f) of this Agreement, no amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by all of the parties hereto. No course of conduct by the Bank will be deemed to result in an amendment of this Agreement.
- (j) **Term.** This Agreement shall be a continuing agreement in every respect for the payment of the Obligations and it shall remain in full force and effect until all of the Obligations shall be indefeasibly paid in full or discharged by the Bank and until the Bank shall no longer have any commitment to the Grantor or any other Person, the fulfillment of which, might result in the creation of Obligations of the Grantor.
- (k) **Severability.** If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable in any respect, such invalidity or unenforceability will not affect the validity or enforceability of the remaining provisions of this Agreement.
- (l) **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the jurisdiction where the Branch of the Bank is located.
- (m) **Waiver by the Bank.** No delay or omission by the Bank in exercising any right or remedy hereunder or with respect to any Obligations shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or of any other right or remedy. Furthermore, the Bank may remedy any default by the Grantor hereunder or with respect to any Obligations in any reasonable manner without waiving the default remedied and without waiving any other prior or subsequent default by the Grantor. No course of conduct of the Bank will give rise to any reasonable expectation which is in any way inconsistent with the terms and conditions of this Agreement or the Bank's rights hereunder. All rights and remedies of the Bank granted or recognized herein are cumulative and may be exercised at any time and from time to time independently or in combination.
- (n) **Waiver by the Grantor.** The Grantor waives protest of any Instrument constituting Collateral at any time held by the Bank on which the Grantor is in any way liable and, subject to clause 12(d) hereof, notice of any other action taken by the Bank.
- (o) **Non-Substitution.** The Security Interest is in addition to and not in substitution for any other security now or hereafter held by the Bank.
- (p) **Entire Agreement.** This Agreement including any schedule now or hereafter annexed hereto, constitutes the entire agreement between the Grantor and the Bank with respect to the subject matter hereof. There are no representations, warranties, terms and conditions, undertakings or collateral agreements, express, implied or statutory, between the parties except as expressly set forth in this Agreement.
- (q) **Acknowledgment.** The Grantor acknowledges receipt of a fully executed copy of this Agreement and, to the extent permitted by applicable law, waives the right to receive a copy of any financing statement, financing change statement or verification statement in respect of any registered financing statement or financing change statement prepared, registered or issued in connection with this Agreement.

(r) Execution. The Grantor agrees that this Agreement may be executed electronically and in counterparts.

IN WITNESS WHEREOF the Grantor has executed this Agreement this 24th day of JUNE, 2014.

MENDOCINO CLOTHING COMPANY LTD

Per: [Signature]
(authorized signature)

Per: [Signature]
(authorized signature)

Signature: _____

Name: _____

496 GILBERT AVE,
TORONTO, ON M6E 4X5

Signature: _____

Name: _____

[Address of Grantor]

[Signature]
Witness as to execution

SCHEDULE "A"
DESCRIPTION OF EQUIPMENT/SERIAL NUMBERED GOODS

QUANTITY	DESCRIPTION	SERIAL NUMBER
----------	-------------	---------------

LOCATION OF COLLATERAL

The Collateral is now and will hereafter be located at the following address(es) (include Street/Town/City and Province):

RESOLUTION AUTHORIZING EXECUTION OF GENERAL SECURITY AGREEMENT

"RESOLVED THAT:

- (a) The JIM KAPLAN and the NORMA CANON are hereby authorized for and on behalf of the Corporation to execute and deliver to The Toronto-Dominion Bank a General Security Agreement substantially in the form of the General Security Agreement (attached hereto and initialled by the Secretary for identification) presented to the directors, with such alterations, amendments, deletions or additions as may be approved by the persons executing the same and their execution shall be conclusive evidence of such approval and that the General Security Agreement so executed is the General Security Agreement authorized by this Resolution.
- (b) Any officer or director be and is hereby authorized to execute and deliver on behalf of the Corporation all such other documents and writings and to do such other acts and things as may be necessary or desirable for fulfilling the Corporation's obligations under the General Security Agreement."

CERTIFICATE

I hereby certify that the foregoing is a true and correct copy of a Resolution duly passed by the Directors of _____
MENDOCINO CLOTHING COMPANY LTD
 on the 24th day of JUNE, 2014 and that the said Resolution is now in full force and effect.


 _____ C/S
 Secretary

**THIS IS EXHIBIT "B" TO
THE AFFIDAVIT OF JAN KAPLAN
SWORN BEFORE ME THIS 30th
DAY OF JULY, 2020.**



A Commissioner etc.



PERSONAL PROPERTY SECURITY REGISTRATION
SYSTEM (ONTARIO) ENQUIRY RESULTS

Prepared for : Chaitons LLP (ADP) - Antoinette De Pinto
Reference : 65955
Docket : 65955
Search ID : 776508
Date Processed : 7/27/2020 9:25:25 AM
Report Type : PPSA Electronic Response
Search Conducted on : MENDOCINO CLOTHING COMPANY LTD.
Search Type : Business Debtor

DISCLAIMER :

This report has been generated using data provided by the Personal Property Registration Branch, Ministry of Government Services, Government of Ontario. No liability is undertaken regarding its correctness, completeness, or the interpretation and use that are made of it.

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

THIS IS TO CERTIFY THAT A SEARCH HAS BEEN MADE IN THE RECORDS OF THE
CENTRAL OFFICE OF THE PERSONAL PROPERTY SECURITY SYSTEM IN RESPECT
OF THE FOLLOWING:

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: MENDOCINO CLOTHING COMPANY LTD.

FILE CURRENCY: July 26, 2020

RESPONSE CONTAINS: APPROXIMATELY 7 FAMILIES and 14 PAGES.

THE SEARCH RESULTS MAY INDICATE THAT THERE ARE SOME REGISTRATIONS
WHICH SET OUT A BUSINESS DEBTOR NAME WHICH IS SIMILAR TO THE NAME
IN WHICH YOUR ENQUIRY WAS MADE. IF YOU DETERMINE THAT THERE ARE
OTHER SIMILAR BUSINESS DEBTOR NAMES, YOU MAY REQUEST THAT
ADDITIONAL ENQUIRIES BE MADE AGAINST THOSE NAMES.

THE ABOVE REPORT HAS BEEN CREATED BASED ON THE DATA PROVIDED BY
THE PERSONAL PROPERTY REGISTRATION BRANCH, MINISTRY OF CONSUMER
AND BUSINESS SERVICES, GOVERNMENT OF ONTARIO. NO LIABILITY IS
UNDERTAKEN REGARDING ITS CORRECTNESS, COMPLETENESS, OR THE
INTERPRETATION AND USE THAT ARE MADE OF IT.

MINISTRY OF CONSUMER AND BUSINESS SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: MENDOCINO CLOTHING COMPANY LTD.

FILE CURRENCY: July 26, 2020

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 1 OF 7 ENQUIRY PAGE : 1 OF 14

SEARCH : BD : MENDOCINO CLOTHING COMPANY LTD.

00 FILE NUMBER : 651375999 EXPIRY DATE : 04FEB 2034 STATUS :
 01 CAUTION FILING : PAGE : 001 OF 003 MV SCHEDULE ATTACHED :
 REG NUM : 20090204 1554 1862 9897 REG TYP: P PPSA REG PERIOD: 25
 02 IND DOB : IND NAME:
 03 BUS NAME: MENDOCINO CLOTHING COMPANY LTD.
 OCN :
 04 ADDRESS : 496 GILBERT AVENUE
 CITY : TORONTO PROV: ON POSTAL CODE: M6E 4X5
 05 IND DOB : IND NAME:
 06 BUS NAME:
 OCN :
 07 ADDRESS :
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :
 CF/REALTY HOLDINGS INC.
 09 ADDRESS : C/O THE CADILLAC FAIRVIEW CORPORATION LI
 CITY : TORONTO PROV: ON POSTAL CODE: M5H 3R4
 CONS. MV DATE OF OR NO FIXED
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
 10 X X X X X X
 YEAR MAKE MODEL V.I.N.
 11
 12

GENERAL COLLATERAL DESCRIPTION

13 GENERAL SECURITY AGREEMENT WITH RESPECT TO UNIT NO. H005 IN SHOPS AT
 14 DON MILLS, TORONTO, ONTARIO
 15

16 AGENT: DAOUST VUKOVICH LLP (JEANNE BANKA - FILE #090043)

17 ADDRESS : 20 QUEEN STREET WEST, SUITE 3000

CITY : TORONTO PROV: ON POSTAL CODE: M5H 3R3

CONTINUED

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

MINISTRY OF CONSUMER AND BUSINESS SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: MENDOCINO CLOTHING COMPANY LTD.

FILE CURRENCY: July 26, 2020

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 1 OF 7 ENQUIRY PAGE : 2 OF 14

SEARCH : BD : MENDOCINO CLOTHING COMPANY LTD.

00 FILE NUMBER : 651375999 EXPIRY DATE : 04FEB 2034 STATUS :
 01 CAUTION FILING : PAGE : 002 OF 003 MV SCHEDULE ATTACHED :
 REG NUM : 20090204 1554 1862 9897 REG TYP: REG PERIOD:
 02 IND DOB : IND NAME:
 03 BUS NAME:
 OCN :
 04 ADDRESS :
 CITY : PROV: POSTAL CODE:
 05 IND DOB : IND NAME:
 06 BUS NAME:
 OCN :
 07 ADDRESS :
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS : MITED, ATTENTION CORPORATE SECRETARY, 20
 CITY : PROV: POSTAL CODE:
 CONS. MV DATE OF OR NO FIXED
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
 10
 YEAR MAKE MODEL V.I.N.
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 12
 GENERAL COLLATERAL DESCRIPTION
 13
 14
 15
 16 AGENT:
 17 ADDRESS :
 CITY : PROV: POSTAL CODE:

CONTINUED

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

MINISTRY OF CONSUMER AND BUSINESS SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: MENDOCINO CLOTHING COMPANY LTD.

FILE CURRENCY: July 26, 2020

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 1 OF 7 ENQUIRY PAGE : 3 OF 14

SEARCH : BD : MENDOCINO CLOTHING COMPANY LTD.

00 FILE NUMBER : 651375999 EXPIRY DATE : 04FEB 2034 STATUS :
 01 CAUTION FILING : PAGE : 003 OF 003 MV SCHEDULE ATTACHED :
 REG NUM : 20090204 1554 1862 9897 REG TYP: REG PERIOD:
 02 IND DOB : IND NAME:
 03 BUS NAME:
 OCN :
 04 ADDRESS :
 CITY : PROV: POSTAL CODE:
 05 IND DOB : IND NAME:
 06 BUS NAME:
 OCN :
 07 ADDRESS :
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS : QUEEN STREET WEST, 5TH FLOOR
 CITY : PROV: POSTAL CODE:
 CONS. MV DATE OF OR NO FIXED
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
 10
 YEAR MAKE MODEL V.I.N.
 11
 12
 GENERAL COLLATERAL DESCRIPTION
 13
 14
 15
 16 AGENT:
 17 ADDRESS :
 CITY : PROV: POSTAL CODE:

END OF FAMILY

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

MINISTRY OF CONSUMER AND BUSINESS SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: MENDOCINO CLOTHING COMPANY LTD.

FILE CURRENCY: July 26, 2020

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 2 OF 7 ENQUIRY PAGE : 4 OF 14

SEARCH : BD : MENDOCINO CLOTHING COMPANY LTD.

00 FILE NUMBER : 668267181 EXPIRY DATE : 14MAR 2022 STATUS :
 01 CAUTION FILING : X PAGE : 001 OF 001 MV SCHEDULE ATTACHED :
 REG NUM : 20110314 1527 1862 4599 REG TYP: P PPSA REG PERIOD: 11
 02 IND DOB : IND NAME:
 03 BUS NAME: MENDOCINO CLOTHING COMPANY LTD.
 OCN : 001816895
 04 ADDRESS : 100 KING ST. W., UNIT 124, STREET LEVEL
 CITY : TORONTO PROV: ON POSTAL CODE: M5X 1B1
 05 IND DOB : IND NAME:
 06 BUS NAME: M FOR MENDOCINO
 OCN :
 07 ADDRESS : 1 KING ST. W., UNIT 124, STREET LEVEL
 CITY : TORONTO PROV: ON POSTAL CODE: M5X 1B1

08 SECURED PARTY/LIEN CLAIMANT :
 FIRST PLACE TOWER BROOKFIELD PROPERTIES INC.
 09 ADDRESS : 181 BAY STREET, SUITE 330
 CITY : TORONTO PROV: ON POSTAL CODE: M5J 2T3
 CONS. MV DATE OF OR NO FIXED
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
 10 X X X X
 YEAR MAKE MODEL V.I.N.

11
 12

GENERAL COLLATERAL DESCRIPTION

13
 14
 15

16 AGENT: BROOKFIELD PROPERTIES (PI) INC. (LEGAL)
 17 ADDRESS : 181 BAY STREET, BCE PLACE, SUITE 330
 CITY : TORONTO PROV: ONT POSTAL CODE: M5J 2T3

CONTINUED

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

MINISTRY OF CONSUMER AND BUSINESS SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: MENDOCINO CLOTHING COMPANY LTD.

FILE CURRENCY: July 26, 2020

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 2 OF 7 ENQUIRY PAGE : 5 OF 14

SEARCH : BD : MENDOCINO CLOTHING COMPANY LTD.

FILE NUMBER 668267181

PAGE TOT REGISTRATION NUM REG TYPE
 01 CAUTION : 001 OF 002 MV SCHED: 20130717 1529 1862 0018
 21 REFERENCE FILE NUMBER : 668267181
 22 AMEND PAGE: NO PAGE: X CHANGE: D ASSGNMT REN YEARS: CORR PER:
 23 REFERENCE DEBTOR/ IND NAME:
 24 TRANSFEROR: BUS NAME: MENDOCINO CLOTHING COMPANY LTD.

25 OTHER CHANGE:

26 REASON:

27 /DESCR:

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

FIRST PLACE TOWER BROOKFIELD PROPERTIES INC.

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

FCP (BOPC) LTD., ARI FCP HOLDINGS INC. AND CPPIB FCP HOLDING INC.

09 ADDRESS : BROOKFIELD PLACE, 181 BAY STREET, SUITE

CITY : TORONTO PROV : ON POSTAL CODE : M5J 2T3

CONS.	MV	DATE OF	NO FIXED
GOODS	INVTRY	EQUIP	ACCTS
OTHER	INCL	AMOUNT	MATURITY OR
			MAT DATE

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16 NAME : BROOKFIELD PROPERTIES (PI) LTD. (LEGAL)

17 ADDRESS : #330-181 BAY STREET, BROOKFIELD PLACE

CITY : TORONTO PROV : ON POSTAL CODE : M5J 2T3

CONTINUED

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

MINISTRY OF CONSUMER AND BUSINESS SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: MENDOCINO CLOTHING COMPANY LTD.

FILE CURRENCY: July 26, 2020

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 2 OF 7 ENQUIRY PAGE : 6 OF 14

SEARCH : BD : MENDOCINO CLOTHING COMPANY LTD.

FILE NUMBER 668267181

PAGE TOT REGISTRATION NUM REG TYPE
 01 CAUTION : 002 OF 002 MV SCHED: 20130717 1529 1862 0018

21 REFERENCE FILE NUMBER : 668267181

22 AMEND PAGE: NO PAGE: CHANGE: REN YEARS: CORR PER:

23 REFERENCE DEBTOR/ IND NAME:

24 TRANSFEROR: BUS NAME:

25 OTHER CHANGE:

26 REASON:

27 /DESCR:

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS : 330 (LEGAL)

CITY : PROV : POSTAL CODE :
 CONS. MV DATE OF NO FIXED
 GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE

10

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16 NAME :

17 ADDRESS :

CITY : PROV : POSTAL CODE :

END OF FAMILY

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

MINISTRY OF CONSUMER AND BUSINESS SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: MENDOCINO CLOTHING COMPANY LTD.

FILE CURRENCY: July 26, 2020

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 3 OF 7 ENQUIRY PAGE : 7 OF 14

SEARCH : BD : MENDOCINO CLOTHING COMPANY LTD.

00 FILE NUMBER : 699018399 EXPIRY DATE : 18AUG 2025 STATUS :
 01 CAUTION FILING : PAGE : 001 OF 001 MV SCHEDULE ATTACHED :
 REG NUM : 20140818 1531 1862 8757 REG TYP: P PPSA REG PERIOD: 6
 02 IND DOB : IND NAME:
 03 BUS NAME: MENDOCINO CLOTHING COMPANY LTD.
 OCN :
 04 ADDRESS : 496 GILBERT AVENUE
 CITY : TORONTO PROV: ON POSTAL CODE: M6Z 4X5
 05 IND DOB : IND NAME:
 06 BUS NAME:
 OCN :
 07 ADDRESS :
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :
 THE TORONTO-DOMINION BANK
 09 ADDRESS : 2 ST. CLAIR AVENUE EAST - TRANSIT #1968
 CITY : TORONTO PROV: ON POSTAL CODE: M4T 2V4
 CONS. MV DATE OF OR NO FIXED
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
 10 X X X X X X X
 YEAR MAKE MODEL V.I.N.

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GENERAL COLLATERAL DESCRIPTION

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16 AGENT: WEIRFOULDS LLP (K. REFAH)
 17 ADDRESS : 66 WELLINGTON STREET WEST, SUITE 4100
 CITY : TORONTO PROV: ON POSTAL CODE: M5K 1B7

CONTINUED

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

MINISTRY OF CONSUMER AND BUSINESS SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: MENDOCINO CLOTHING COMPANY LTD.

FILE CURRENCY: July 26, 2020

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 3 OF 7 ENQUIRY PAGE : 8 OF 14

SEARCH : BD : MENDOCINO CLOTHING COMPANY LTD.

FILE NUMBER 699018399

PAGE TOT REGISTRATION NUM REG TYPE
 01 CAUTION : 01 OF 001 MV SCHED: 20200619 1934 1531 0219

21 REFERENCE FILE NUMBER : 699018399

22 AMEND PAGE: NO PAGE: X CHANGE: B RENEWAL REN YEARS: 5 CORR PER:

23 REFERENCE DEBTOR/ IND NAME:

24 TRANSFEROR: BUS NAME: MENDOCINO CLOTHING COMPANY LTD

25 OTHER CHANGE:

26 REASON:

27 /DESCR:

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY :	PROV :	POSTAL CODE :						
CONS.	MV	DATE OF	NO FIXED					
GOODS	INVTRY	EQUIP	ACCTS	OTHER	INCL	AMOUNT	MATURITY OR	MAT DATE

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16 NAME : CANADIAN SECURITIES REGISTRATION SYSTEMS

17 ADDRESS : 4126 NORLAND AVENUE

CITY : BURNABY PROV : BC POSTAL CODE : V5G 3S8

END OF FAMILY

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

MINISTRY OF CONSUMER AND BUSINESS SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: MENDOCINO CLOTHING COMPANY LTD.

FILE CURRENCY: July 26, 2020

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 4 OF 7 ENQUIRY PAGE : 9 OF 14

SEARCH : BD : MENDOCINO CLOTHING COMPANY LTD.

00 FILE NUMBER : 699018462 EXPIRY DATE : 18AUG 2025 STATUS :
 01 CAUTION FILING : PAGE : 001 OF 001 MV SCHEDULE ATTACHED :
 REG NUM : 20140818 1534 1862 8758 REG TYP: P PPSA REG PERIOD: 6
 02 IND DOB : IND NAME:
 03 BUS NAME: MENDOCINO CLOTHING COMPANY LTD.
 OCN :
 04 ADDRESS : 496 GILBERT AVENUE
 CITY : TORONTO PROV: ON POSTAL CODE: M6Z 4X5
 05 IND DOB : IND NAME:
 06 BUS NAME:
 OCN :
 07 ADDRESS :
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :
 THE TORONTO-DOMINION BANK
 09 ADDRESS : 2 ST. CLAIR AVENUE EAST - TRANSIT #1968
 CITY : TORONTO PROV: ON POSTAL CODE: M4T 2V4
 CONS. MV DATE OF OR NO FIXED
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
 10 X X X
 YEAR MAKE MODEL V.I.N.
 11
 12

GENERAL COLLATERAL DESCRIPTION

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 14
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16 AGENT: WEIRFOULDS LLP (K. REFAH)

17 ADDRESS : 66 WELLINGTON STREET WEST, SUITE 4100
 CITY : TORONTO PROV: ON POSTAL CODE: M5K 1B7

CONTINUED

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

MINISTRY OF CONSUMER AND BUSINESS SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: MENDOCINO CLOTHING COMPANY LTD.

FILE CURRENCY: July 26, 2020

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 4 OF 7 ENQUIRY PAGE : 10 OF 14

SEARCH : BD : MENDOCINO CLOTHING COMPANY LTD.

FILE NUMBER 699018462

PAGE TOT REGISTRATION NUM REG TYPE
 01 CAUTION : 01 OF 001 MV SCHED: 20200619 1934 1531 0218
 21 REFERENCE FILE NUMBER : 699018462
 22 AMEND PAGE: NO PAGE: X CHANGE: B RENEWAL REN YEARS: 5 CORR PER:
 23 REFERENCE DEBTOR/ IND NAME:
 24 TRANSFEROR: BUS NAME: MENDOCINO CLOTHING COMPANY LTD.

25 OTHER CHANGE:

26 REASON:

27 /DESCR:

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY : PROV : POSTAL CODE :
 CONS. MV DATE OF NO FIXED
 GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE

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16 NAME : CANADIAN SECURITIES REGISTRATION SYSTEMS

17 ADDRESS : 4126 NORLAND AVENUE

CITY : BURNABY PROV : BC POSTAL CODE : V5G 3S8

END OF FAMILY

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

MINISTRY OF CONSUMER AND BUSINESS SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: MENDOCINO CLOTHING COMPANY LTD.

FILE CURRENCY: July 26, 2020

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 5 OF 7 ENQUIRY PAGE : 11 OF 14

SEARCH : BD : MENDOCINO CLOTHING COMPANY LTD.

00 FILE NUMBER : 699018507 EXPIRY DATE : 18AUG 2025 STATUS :
 01 CAUTION FILING : PAGE : 001 OF 001 MV SCHEDULE ATTACHED :
 REG NUM : 20140818 1536 1862 8759 REG TYP: P PPSA REG PERIOD: 6
 02 IND DOB : IND NAME:
 03 BUS NAME: MENDOCINO CLOTHING COMPANY LTD.
 OCN :
 04 ADDRESS : 496 GILBERT AVENUE
 CITY : TORONTO PROV: ON POSTAL CODE: M6Z 4X5
 05 IND DOB : IND NAME:
 06 BUS NAME: CAONA INVESTMENTS LTD.
 OCN :
 07 ADDRESS : 496 GILBERT AVENUE
 CITY : TORONTO PROV: ON POSTAL CODE: M6Z 4X5

08 SECURED PARTY/LIEN CLAIMANT :
 THE TORONTO-DOMINION BANK
 09 ADDRESS : 2 ST. CLAIR AVENUE EAST - TRANSIT #1968
 CITY : TORONTO PROV: ON POSTAL CODE: M4T 2V4
 CONS. MV DATE OF OR NO FIXED
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
 10 X X AMOUNT MATURITY MAT DATE X
 YEAR MAKE MODEL V.I.N.
 11
 12
 GENERAL COLLATERAL DESCRIPTION
 13
 14
 15
 16 AGENT: WEIRFOULDS LLP (K. REFAH)
 17 ADDRESS : 66 WELLINGTON STREET WEST, SUITE 4100
 CITY : TORONTO PROV: ON POSTAL CODE: M5K 1B7

CONTINUED

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

MINISTRY OF CONSUMER AND BUSINESS SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: MENDOCINO CLOTHING COMPANY LTD.

FILE CURRENCY: July 26, 2020

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 5 OF 7 ENQUIRY PAGE : 12 OF 14

SEARCH : BD : MENDOCINO CLOTHING COMPANY LTD.

FILE NUMBER 699018507

PAGE TOT REGISTRATION NUM REG TYPE
 01 CAUTION : 01 OF 001 MV SCHED: 20200619 1934 1531 0224

21 REFERENCE FILE NUMBER : 699018507

22 AMEND PAGE: NO PAGE: X CHANGE: B RENEWAL REN YEARS: 5 CORR PER:

23 REFERENCE DEBTOR/ IND NAME:

24 TRANSFEROR: BUS NAME: CAONA INVESTMENTS LTD

25 OTHER CHANGE:

26 REASON:

27 /DESCR:

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY :	PROV :	POSTAL CODE :						
CONS.	MV	DATE OF	NO FIXED					
GOODS	INVTRY	EQUIP	ACCTS	OTHER	INCL	AMOUNT	MATURITY OR	MAT DATE

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16 NAME : CANADIAN SECURITIES REGISTRATION SYSTEMS

17 ADDRESS : 4126 NORLAND AVENUE

CITY : BURNABY PROV : BC POSTAL CODE : V5G 3S8

END OF FAMILY

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

MINISTRY OF CONSUMER AND BUSINESS SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: MENDOCINO CLOTHING COMPANY LTD.

FILE CURRENCY: July 26, 2020

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 6 OF 7 ENQUIRY PAGE : 13 OF 14

SEARCH : BD : MENDOCINO CLOTHING COMPANY LTD.

00 FILE NUMBER : 739575405 EXPIRY DATE : 22MAY 2023 STATUS :
 01 CAUTION FILING : PAGE : 01 OF 001 MV SCHEDULE ATTACHED :
 REG NUM : 20180522 1045 1529 8709 REG TYP: P PPSA REG PERIOD: 5
 02 IND DOB : IND NAME:
 03 BUS NAME: MENDOCINO CLOTHING
 OCN :
 04 ADDRESS : 496 GILBERT AVE
 CITY : TORONTO PROV: ON POSTAL CODE: M6E 4X5
 05 IND DOB : IND NAME:
 06 BUS NAME:
 OCN :
 07 ADDRESS :
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :
 BMW CANADA INC
 09 ADDRESS : 50 ULTIMATE DRIVE
 CITY : RICHMOND HILL PROV: ON POSTAL CODE: L4S 0C8
 CONS. MV DATE OF OR NO FIXED
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
 10 X X X 81484 X
 YEAR MAKE MODEL V.I.N.
 11 2018 BMW X5 XDRIVE40E IPERF 5UXKT0C51J0W03286
 12

GENERAL COLLATERAL DESCRIPTION

13
 14
 15

16 AGENT: CANADIAN SECURITIES REGISTRATION SYSTEMS

17 ADDRESS : 4126 NORLAND AVENUE

CITY : BURNABY PROV: BC POSTAL CODE: V5G 3S8

END OF FAMILY

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

MINISTRY OF CONSUMER AND BUSINESS SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: MENDOCINO CLOTHING COMPANY LTD.

FILE CURRENCY: July 26, 2020

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 7 OF 7 ENQUIRY PAGE : 14 OF 14

SEARCH : BD : MENDOCINO CLOTHING COMPANY LTD.

00 FILE NUMBER : 756230589 EXPIRY DATE : 07OCT 2024 STATUS :
 01 CAUTION FILING : PAGE : 001 OF 1 MV SCHEDULE ATTACHED :
 REG NUM : 20191007 0848 1532 6157 REG TYP: P PPSA REG PERIOD: 05
 02 IND DOB : IND NAME:
 03 BUS NAME: MENDOCINO CLOTHING
 OCN :
 04 ADDRESS : 496 GILBERT AVE
 CITY : YORK PROV: ON POSTAL CODE: M6E 4X5
 05 IND DOB : IND NAME:
 06 BUS NAME:
 OCN :
 07 ADDRESS :
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :
 BMW CANADA INC.

09 ADDRESS : 50 ULTIMATE DRIVE
 CITY : RICHMOND HILL PROV: ON POSTAL CODE: L4S 0C8
 CONS. MV DATE OF OR NO FIXED
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
 10 X X X X 65155.9 X
 YEAR MAKE MODEL V.I.N.
 11 2019 BMW X3 XDRIVE30I 5UXTR9C58KLR07593
 12

GENERAL COLLATERAL DESCRIPTION

13
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16 AGENT: D + H LIMITED PARTNERSHIP

17 ADDRESS : 2 ROBERT SPECK PARKWAY, 15TH FLOOR

CITY : MISSISSAUGA PROV: ON POSTAL CODE: L4Z 1H8

LAST SCREEN

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

**THIS IS EXHIBIT "C" TO
THE AFFIDAVIT OF JAN KAPLAN
SWORN BEFORE ME THIS 30th
DAY OF JULY, 2020.**

A handwritten signature in blue ink, appearing to read "Sam Tan", is written above a horizontal line.

A Commissioner etc.

2:15 PM
27/07/20
Accrual Basis

Mendocino Clothing Ltd.
Profit & Loss
February through June 2020

	Feb - Jun 20	Feb - Jun 19	% Change	% of Income
Ordinary Income/Expense				
Income				
40000 · Sales	4,351,775.10	14,657,453.11	-70.3%	100.0%
Total Income	4,351,775.10	14,657,453.11	-70.3%	100.0%
Cost of Goods Sold				
04350 · Shrinkage	6,136.27	105,125.00	-94.2%	0.1%
04351 · Seasonal Writedowns	0.00	0.00	0.0%	0.0%
04420 · Freight	95,792.71	219,187.20	-56.3%	2.2%
04421 · Freight USD	-86,024.29	-290,275.97	70.4%	-2.0%
04430 · Brokerage Duty Fee	17,955.38	62,548.12	-71.3%	0.4%
04435 · Exchange Gain/Loss	-152,275.80	-469,458.42	67.6%	-3.5%
04440 · Gift & Credit - YE Adjustments	0.00	49,718.66	-100.0%	0.0%
04441 · Damages/Write-Offs	11,723.04	35,202.13	-66.7%	0.3%
41000 · Cost of Sales	2,151,395.91	6,265,784.61	-65.7%	49.4%
Total COGS	2,044,703.22	5,977,831.33	-65.8%	47.0%
Gross Profit	2,307,071.88	8,679,621.78	-73.4%	53.0%
Expense				
51000 · Occupancy	3,205,741.29	3,226,491.01	-0.6%	73.7%
52000 · Salaries & Benefits	836,571.65	3,118,356.29	-73.2%	19.2%
52003 · Payroll Charges	52,603.22	62,364.91	-15.7%	1.2%
53001 · Visual Team Wages	87,184.04	212,162.07	-58.9%	2.0%
54002 · Staff Incentives	0.00	3,799.98	-100.0%	0.0%
55000 · Store Expenses	44,182.41	82,765.61	-46.6%	1.0%
55001 · Packaging	72,501.83	175,423.66	-58.7%	1.7%
56000 · Credit Card Charge	96,114.57	138,926.58	-30.8%	2.2%
58001 · Car and Travel - Visual Team	5,624.86	19,794.60	-71.6%	0.1%
59000 · Repairs and Maintenance	34,373.92	94,862.61	-63.8%	0.8%
60000 · Mall Advertising & Promotional	83,816.44	83,560.36	0.3%	1.9%
60002 · Display Expense	52,778.94	91,828.29	-42.5%	1.2%
60500 · Security & Inventory Management	19,311.67	32,180.33	-40.0%	0.4%
61000 · Insurances	37,094.57	58,615.41	-36.7%	0.9%
64000 · Telephone/Utilities	59,938.31	80,146.78	-25.2%	1.4%
66000 · Amortization	521,836.50	466,639.39	11.8%	12.0%
Total Expense	5,209,674.22	7,947,917.88	-34.5%	119.7%
Net Ordinary Income	-2,902,602.34	731,703.90	-496.7%	-66.7%
Other Income/Expense				
Other Expense				
FX Gain/Loss	3.20	0.00	100.0%	0.0%
51001 · Occupancy - Head Office	176,500.00	205,000.00	-13.9%	4.1%
53000 · Admin Wages	595,079.99	1,467,743.64	-59.5%	13.7%
56001 · Amex Points Redeemed	-45,865.49	-25,545.42	-79.5%	-1.1%
57000 · Entertainment	7,471.49	21,606.05	-65.4%	0.2%
58000 · Car and Travel	60,209.45	153,904.91	-60.9%	1.4%
60001 · PR Consulting	12,831.18	14,159.06	-9.4%	0.3%
62000 · Interest Bank Charges (Net)	61,233.52	64,994.08	-5.8%	1.4%
62010 · Warehouse Discounts	-4,943.60	-33,572.06	85.3%	-0.1%
63000 · Administration	62,657.56	63,340.58	-1.1%	1.4%
64001 · Utilities - Head Office	12,940.61	14,970.27	-13.6%	0.3%
65000 · Professional Fees	84,925.50	160,174.88	-47.0%	2.0%
95002 · Provision Bonuses - Stores	0.00	16,512.00	-100.0%	0.0%
Total Other Expense	1,023,043.41	2,123,287.99	-51.8%	23.5%
Net Other Income	-1,023,043.41	-2,123,287.99	51.8%	-23.5%
Net Income	-3,925,645.75	-1,391,584.09	-182.1%	-90.2%

1:38 PM
27/07/20
Accrual Basis

Mendocino Clothing Ltd.
Profit & Loss
June 2020

	Jun 20	Jun 19	% of Income
Ordinary Income/Expense			
Income			
40000 · Sales	620,259.55	3,441,802.71	100.0%
Total Income	620,259.55	3,441,802.71	100.0%
Cost of Goods Sold			
04350 · Shrinkage	2,544.42	1,327.21	0.4%
04351 · Seasonal Writedowns	0.00	0.00	0.0%
04420 · Freight	17,976.10	44,192.38	2.9%
04421 · Freight USD	-2,527.38	-53,437.64	-0.4%
04430 · Brokerage Duty Fee	-87.96	4,337.75	-0.0%
04435 · Exchange Gain/Loss	-3,625.95	-134,742.54	-0.6%
04441 · Damages/Write-Offs	-110.00	14,309.98	-0.0%
41000 · Cost of Sales	391,844.24	1,425,487.87	63.2%
Total COGS	406,013.47	1,301,475.01	65.5%
Gross Profit	214,246.08	2,140,327.70	34.5%
Expense			
51000 · Occupancy	608,055.89	674,561.32	98.0%
52000 · Salaries & Benefits	14,329.37	652,277.42	2.3%
52003 · Payroll Charges	9,201.41	11,772.37	1.5%
53001 · Visual Team Wages	13,053.33	40,591.22	2.1%
54002 · Staff Incentives	0.00	-681.48	0.0%
55000 · Store Expenses	11,435.13	11,314.17	1.8%
55001 · Packaging	10,318.43	29,615.41	1.7%
56000 · Credit Card Charge	16,392.89	32,901.57	2.6%
58001 · Car and Travel - Visual Team	643.95	5,162.31	0.1%
59000 · Repairs and Maintenance	11,032.49	18,846.24	1.8%
60000 · Mall Advertising & Promotional	15,869.36	17,745.76	2.6%
60002 · Display Expense	0.00	5,450.71	0.0%
60500 · Security & Inventory Management	7,286.71	5,409.33	1.2%
61000 · Insurances	5,484.56	10,286.46	0.9%
64000 · Telephone/Utilities	6,837.91	16,053.33	1.1%
66000 · Amortization	104,367.30	85,896.97	16.8%
Total Expense	834,308.73	1,617,203.11	134.5%
Net Ordinary Income	-620,062.65	523,124.59	-100.0%
Other Income/Expense			
Other Expense			
FX Gain/Loss	0.12	0.00	0.0%
51001 · Occupancy - Head Office	12,500.00	41,000.00	2.0%
53000 · Admin Wages	88,518.78	290,610.50	14.3%
56001 · Amex Points Redeemed	0.00	-25,545.42	0.0%
57000 · Entertainment	33.54	3,645.53	0.0%
58000 · Car and Travel	2,981.05	28,540.65	0.5%
60001 · PR Consulting	403.55	1,044.28	0.1%
62000 · Interest Bank Charges (Net)	10,675.91	15,504.21	1.7%
62010 · Warehouse Discounts	-35.40	-4,881.28	-0.0%
63000 · Administration	10,250.90	10,528.59	1.7%
64001 · Utilities - Head Office	2,456.73	3,158.35	0.4%
65000 · Professional Fees	23,725.50	17,686.37	3.8%
Total Other Expense	151,510.68	381,291.78	24.4%
Net Other Income	-151,510.68	-381,291.78	-24.4%
Net Income	-771,573.33	141,832.81	-124.4%

**THIS IS EXHIBIT "D" TO
THE AFFIDAVIT OF JAN KAPLAN
SWORN BEFORE ME THIS 30th
DAY OF JULY, 2020.**



A Commissioner etc.

**MENDOCINO CLOTHING COMPANY
LIMITED**

FINANCIAL STATEMENTS

(UNAUDITED)

JANUARY 31, 2020

MENDOCINO CLOTHING COMPANY LIMITED**FINANCIAL STATEMENTS**

(UNAUDITED)

JANUARY 31, 2020

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Crowe Soberman | Canada

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INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT

To the Shareholder of
Mendocino Clothing Company Limited

We have reviewed the accompanying financial statements of Mendocino Clothing Company Limited that comprise the balance sheet as at January 31, 2020, and the statements of operations, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioners' Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioners perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.



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Basis for Qualified Conclusion

As discussed in Note 2 to the financial statements, Mendocino Clothing Company Limited includes rental payments under operating leases in the determination of net loss as they are paid and records lease inducements as a reduction to property and equipment, which constitute departures from Canadian accounting standards for private enterprises. Canadian accounting standards for private enterprises requires that lease inducements be accounted for as reductions of the lease expense over the term of the lease and that lease rentals under operating leases be included in the determination of net loss over the lease-term on a straight-line basis unless another systematic and rational basis is more representative of the time pattern of the user's benefit. If rental payments and lease inducements were appropriately accounted for, rent and property taxes expense would decrease by \$199,007 (2019 - \$120,159), amortization expense would increase by \$263,441 (2019 - \$157,914) and net loss would increase by \$64,434 (2019 - net earnings would decrease by \$37,755) for the year ended January 31, 2020. As at January 31, 2020, property and equipment is understated by \$1,136,185 (2019 - \$1,132,306), lease inducement liability is understated by \$901,804 (2019 - \$833,491) and retained earnings is understated by \$234,381 (2019 - \$298,815). Our review conclusion on the financial statements for the year ended January 31, 2019 was modified because of the effects of these departures from Canadian accounting standards for private enterprises.

Qualified Conclusion

Based on our review, except for the effects of the matters described in the *Basis for Qualified Conclusion* paragraph, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of Mendocino Clothing Company Limited as at January 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 to the financial statements, which indicates that Mendocino Clothing Company Limited incurred a net loss of \$1,493,231 during the year ended January 31, 2020 and, as of that date, Mendocino Clothing Company Limited is in breach of its bank covenant. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about Mendocino Clothing Company Limited's ability to continue as a going concern.

Crowe Soberman LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 18, 2020

MENDOCINO CLOTHING COMPANY LIMITED**BALANCE SHEET**

(UNAUDITED)

At January 31**2020****2019****ASSETS****Current**

Cash	\$	268,507	\$	1,128,418
Short-term investments, at market value		1,145,372		1,671,792
Income taxes recoverable		431,602		-
Inventory		2,287,262		2,191,293
Prepaid expenses and sundry		226,998		199,059
Derivative contracts		-		12,480

		4,359,741		5,203,042
--	--	------------------	--	-----------

Due from related parties (Note 3)		168,269		276,905
Property and equipment (Note 4)		3,587,961		3,250,687
Future income taxes		15,000		48,200

	\$	8,130,971	\$	8,778,834
--	----	------------------	----	-----------

LIABILITIES**Current**

Accounts payable and accrued charges	\$	2,435,584	\$	1,932,380
Government remittances payable		112,578		64,960
Current portion of long-term debt (Note 5)		2,058,193		740,718
Due to related party (Note 6)		3,910		-
Income taxes payable		-		56,263

		4,610,265		2,794,321
--	--	------------------	--	-----------

Long-term debt (Note 5)		-		970,576
--------------------------------	--	----------	--	---------

		4,610,265		3,764,897
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Commitments (Note 11)**SHAREHOLDER'S EQUITY**

Capital stock (Note 8)		2		2
Retained earnings		3,520,704		5,013,935

		3,520,706		5,013,937
--	--	------------------	--	-----------

	\$	8,130,971	\$	8,778,834
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The accompanying notes are an integral part of the financial statements

On behalf of the Board

Director

MENDOCINO CLOTHING COMPANY LIMITED
STATEMENT OF RETAINED EARNINGS
(UNAUDITED)

Year ended January 31	2020	2019
Balance, beginning of year	\$ 5,013,935	\$ 4,910,556
Net earnings (loss)	(1,493,231)	378,319
	3,520,704	5,288,875
Refundable dividend tax received	-	25,060
Dividend paid	-	(300,000)
Balance, end of year	\$ 3,520,704	\$ 5,013,935

The accompanying notes are an integral part of the financial statements

MENDOCINO CLOTHING COMPANY LIMITED
STATEMENT OF OPERATIONS
(UNAUDITED)

Year ended January 31	2020	2019
Revenue	\$ 37,323,219	\$ 39,535,237
Cost of sales	14,786,643	14,600,051
Gross profit	22,536,576	24,935,186
Expenses		
Salaries, wages and benefits	10,698,181	10,398,449
Rent and property taxes	8,444,839	7,736,671
Management salaries	1,186,245	1,154,246
Store supplies	784,199	795,066
Advertising and display	553,849	524,802
Credit card charges	394,451	420,762
Car and travel	366,992	355,127
Repairs and maintenance	222,557	212,640
Utilities	166,835	153,618
Insurance	136,221	115,866
Consulting fees	126,000	86,000
Interest on long-term debt	119,338	100,704
Professional fees	103,501	80,490
Security	96,787	97,743
Telephone	70,652	74,537
Interest and bank charges	58,717	47,337
Foreign exchange loss (gain)	(264,882)	275,498
Amortization	1,095,827	1,199,548
	24,360,309	23,829,104
Earnings (loss) before undernoted and income taxes	(1,823,733)	1,106,082
Other		
Write-off of leasehold improvements on early termination of lease	-	559,659
Earnings before income taxes	(1,823,733)	546,423
Provision for (recovery of) income taxes		
Current	(363,702)	135,804
Future	33,200	32,300
	(330,502)	168,104
Net earnings (loss)	\$ (1,493,231)	\$ 378,319

The accompanying notes are an integral part of the financial statements

MENDOCINO CLOTHING COMPANY LIMITED
STATEMENT OF CASH FLOWS
(UNAUDITED)

Year ended January 31	2020	2019
SOURCES (USES) OF CASH		
Operating activities		
Net earnings (loss)	\$ (1,493,231)	\$ 378,319
<i>Items not involving cash</i>		
Amortization	1,095,827	1,199,548
Future income taxes (recovered)	33,200	32,300
	(364,204)	1,610,167
Changes in non-cash working capital items		
Inventory	(95,969)	(55,374)
Prepaid expenses and sundry	(27,939)	(29,221)
Income taxes payable (recoverable)	(487,865)	162,911
Accounts payable and accrued charges	503,205	3,240
Government remittances recoverable	47,618	(67,512)
Cash provided by (used in) operating activities	(425,154)	1,624,211
Investing activities		
Purchase of short-term investments	(22,303)	(1,014,891)
Disposal of short term investments	548,723	1,284
Repayment from related parties	108,636	80,000
Advance from related party	3,910	-
Disposal of property and equipment	-	559,740
Purchase of property and equipment	(1,433,102)	(552,720)
Derivative contracts	12,480	(33,327)
Cash used in investing activities	(781,656)	(959,914)
Financing activities		
Repayment of long-term debt	(917,883)	(757,109)
Advances of long-term debt	1,264,782	144,318
Refundable dividend tax	-	25,060
Dividend paid	-	(300,000)
Cash provided by (used in) financing activities	346,899	(887,731)
Net decrease in cash	(859,911)	(223,434)
Cash, beginning of year	1,128,418	1,351,852
Cash, end of year	\$ 268,507	\$ 1,128,418

The accompanying notes are an integral part of the financial statements

MENDOCINO CLOTHING COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

(UNAUDITED)

January 31, 2020

1. Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, in accordance with Canadian accounting standards for private enterprises ("ASPE"). The going concern basis presumes that Mendocino Clothing Company Limited ("the Company") will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several adverse conditions and events cast substantial doubt upon the validity of the going concern assumption. The Company incurred a significant operating loss of \$1,493,231 during the year ended January 31, 2020 and, effective March 16, 2020, all of the Company's stores were closed for an indefinite period due to the novel coronavirus ("COVID-19"). As a result, losses have continued into the subsequent fiscal year. Additionally, the Company is in breach of a financial covenant relating to its lending agreement.

The Company's ability to generate net income and positive cash flows from operations is dependent on the Company's ability to obtain revisions to its existing financial covenant and lending agreements. The Company is pursuing with its lender various options for changes to the terms of its lending agreement. No new lending agreements with the lender have as yet been reached and there can be no assurance that such agreements will be reached, nor that the financing efforts will be successful. The Company's continued existence is dependent upon its ability to restructure its lending arrangements and to restore and maintain profitable operations. In view of these circumstances, there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate because management believes that the actions already taken or planned, as described above, will mitigate the adverse conditions and events which raise doubts about the validity of the going concern assumption used in preparing these financial statements.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the classifications used in the balance sheet.

2. Significant accounting policies

These financial statements have been prepared in accordance with ASPE, except for not recognizing lease inducements as reductions of the lease expense over the term of the lease and rent expense on a straight-line basis over the term of the lease.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

MENDOCINO CLOTHING COMPANY LIMITED**NOTES TO FINANCIAL STATEMENTS**

(UNAUDITED)

January 31, 2020

2. Significant accounting policies (continued)**Revenue recognition**

Revenue from merchandise sales are net of returns and allowances, exclude sales taxes, and are recorded upon delivery to the customers and when collection is reasonably assured.

Translation of foreign currencies

The monetary assets and liabilities of the Company denominated in foreign currencies are translated at the rates of exchange at the balance sheet date. Revenues and expenses are translated at the average exchange rate prevailing during the year. Exchange gains or losses are included in the results of operations.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

Financial instruments

The Company initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Company subsequently measures all its financial instruments at amortized cost using the straight line method.

Transaction costs are recognized in net earnings in the period incurred. However, financing and transaction costs associated with debt are netted against the carrying value of the related debt and amortized over the term of the debt.

Derivative financial instruments

The Company uses derivative financial instruments including forward contracts to manage exposures to foreign currency. The Company does not use derivative financial instruments for trading or speculative purposes.

Derivative instruments are recorded at fair value with changes in fair value recognized in net earnings. Fair value is based on forward exchange rates at year-end. Changes in fair value of derivatives are included in net earnings as gain/loss on foreign exchange.

Inventory

Inventory consists of finished goods and is valued at the lower of cost and net realizable value. Cost is determined using the average cost method based on individual items.

MENDOCINO CLOTHING COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

(UNAUDITED)

January 31, 2020

2. Significant accounting policies (*continued*)

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided annually on bases designed to amortize the assets over their estimated useful lives, as follows:

Furniture and fixtures	-	20% declining balance
Computer equipment	-	30% declining balance
Computer software	-	20% declining balance
Leasehold improvements	-	straight-line over 6 years

Leases and deferred tenant inducements

Rental payments under operating leases are included in the determination of net earnings as they are paid. This is not in accordance with Canadian accounting standards for private enterprises which requires total rental payments to be recognized on a straight-line basis over the lease term.

Lease inducements received in connection with leasehold improvements have been netted against the leasehold improvement, which is not in accordance with Canadian accounting standards for private enterprises which requires the lease inducements be accounted for as reduction of the lease expense over the term of the lease.

3. Due from related parties

The advances to companies under common control, are non-interest bearing with no specified terms of repayment and are comprised of the following:

	2020	2019
Norjan Ventures Inc.	\$ 162,407	\$ 242,407
Caona Investments Ltd.	5,862	-
Jessmat Holdings Ltd.	-	34,498
	\$ 168,269	\$ 276,905

MENDOCINO CLOTHING COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
January 31, 2020

4. Property and equipment

			2020		2019
	Cost	Accumulated Amortization	Net Carrying Amount		Net Carrying Amount
Furniture and fixtures	\$ 2,078,962	\$ 1,549,905	\$ 529,057	\$	563,320
Computer equipment	907,072	758,809	148,263	\$	171,273
Computer software	572,948	558,717	14,231	\$	17,930
Leasehold improvements	10,944,406	8,047,996	2,896,410	\$	2,498,164
	\$ 14,503,388	\$ 10,915,427	\$ 3,587,961	\$	3,250,687

Amortization expense for the year amounted to \$1,095,827 (2019 - \$1,199,548).

5. Long-term debt

	2020	2019
Bank term loans bearing interest at prime plus 1.5%:		
Monthly instalments of \$5,306 plus interest, matures May 2020	\$ 21,224	\$ 84,897
Monthly instalments of \$4,243 plus interest, matures September 2020	33,940	84,850
Monthly instalments of \$5,375 plus interest, matures December 2020	59,128	123,632
Monthly instalments of \$8,407 plus interest, matures September 2020	67,256	168,139
Monthly instalments of \$8,612 plus interest, matures April 2021	129,175	232,515
Monthly instalments of \$5,574 plus interest, matures March 2021	78,137	145,027
Monthly instalments of \$10,211 plus interest, matures September 2021	204,221	326,755
Monthly instalments of \$5,276 plus interest, matures September 2021	105,518	168,829
Monthly instalments of \$4,927 plus interest, matures November 2021	109,252	168,380

MENDOCINO CLOTHING COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
January 31, 2020

5. Long-term debt (continued)

Monthly instalments of \$1,390 plus interest, matures November 2022	47,269	63,952
Monthly instalments of \$2,405 plus interest, matures January 2024	115,454	144,318
Monthly instalments of \$7,227 plus interest, matures March 2024	383,012	-
Monthly instalments of \$5,102 plus interest, matures April 2024	260,194	-
Monthly instalments of \$3,425 plus interest, matures May 2024	178,114	-
Monthly instalments of \$5,326 plus interest, matures June 2024	266,299	-
	2,058,193	1,711,294
Less: amounts due within one year	(2,058,193)	(740,718)
	\$ -	\$ 970,576

See Note 7 for security. As the Company is in breach of its covenant, the long-term debt has been classified as current.

Principal repayments over the next five years in accordance with the original terms are as follows:

Year ending January 31,	2021	\$ 895,253
	2022	509,605
	2023	295,723
	2024	281,820
	2025	75,792
		\$ 2,058,193

6. Due to related party

The amounts are due to related party, Ooyoo Beauty Ltd., an entity under common control. The balance owing is non interest bearing and has no specified terms of repayment.

MENDOCINO CLOTHING COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

(UNAUDITED)

January 31, 2020

7. Bank indebtedness

The Company's banking facility provides for a maximum operating line of credit of \$1,000,000 (2019 - \$1,000,000). Borrowings under the line of credit are due on demand and bear interest at the prime rate of the Company's banker plus 1% (2019 - 1%). Interest is payable monthly. As at January 31, 2020, the amount drawn on the facility amounted to \$Nil (2019 - \$Nil).

As security for the operating line of credit and the term loans in Note 5, the Company has provided a fixed and specific charge on all present and future property and equipment of the Company including the pledge of assets in the short-term investments. All loans are guaranteed by the directors up to a limit of \$2,200,000.

The lending agreement includes a covenant regarding debt service coverage ratio. At January 31, 2020, the Company was in default of the debt service coverage ratio.

8. Capital stock

Authorized

Unlimited Common shares

	2020	2019
Issued and outstanding		
2 Common shares	\$ 2	\$ 2

9. Income taxes

The Company has an operating loss available to reduce taxable income in future years of approximately \$767,700, which expires on January 31, 2040. The future income tax asset benefit resulting from these losses amounts to \$93,700. Since it is not more likely than not that the Company will be able to realize the benefit of the unused tax losses, a valuation allowance in respect of the entire future income taxes has been provided.

In addition, the Company has capital losses available to offset taxable capital gains of approximately \$90,200. These losses may be carried forward indefinitely.

10. Financial instruments

The Company regularly evaluates and manages the principal risks assumed with its financial instruments. The risks that arise from transacting in financial instruments include liquidity risk, credit risk, market risk, interest rate risk, and foreign currency risk. The following analysis provides a measure of the Company's risk exposure and concentrations. There are no significant changes in the risk exposures from the prior period.

MENDOCINO CLOTHING COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS
 (UNAUDITED)
January 31, 2020

10. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities as they come due. The Company is exposed to this risk mainly in respect of its accounts payable and accrued charges, and long-term debt. See Note 1.

Interest rate risk

the Company's long-term debt and bank indebtedness has a variable interest rate. Changes in the prime rate of the company's banker can cause fluctuations in interest payments and cash flows. The Company does not use derivative financial instruments to alter the effects of this risk.

Foreign currency risk

The Company enters into foreign currency purchase and sale transactions and has assets and liabilities that are denominated in foreign currencies and thus is exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates.

At year end, the Company had the following amounts denominated in foreign currencies:

Cash	\$	16,269	U.S.
Accounts payable and accrued charges	\$	351,295	U.S.

At January 31, 2020, the Company had \$Nil (2019 - \$300,000), in forward exchange contracts in U.S. dollars.

The Company is not exposed to any significant credit risk or market risk at the balance sheet date.

MENDOCINO CLOTHING COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
January 31, 2020

11. Commitments

(a) Lease commitments

The Company is committed under various long-term leases for premises with various expiration and renewal options ending on January 31, 2030. Minimum annual rentals (exclusive of the requirement to pay taxes, insurance and maintenance costs) for each of the next five years and thereafter are approximately as follows:

Year ending January 31,	2021	\$	4,359,400
	2022		3,957,100
	2023		3,307,500
	2024		3,050,200
	2025		3,085,700
	Thereafter		5,941,400
			<hr/>
			\$ 23,701,300
			<hr/>

(b) Guarantees

The Company has guaranteed the loans of an entity controlled by the shareholder. The guarantee is for advances of \$850,000 supported by a general security agreement representing a first charge on all the present and after acquired personal property of the Company. As at January 31, 2020 these loans amounted to \$850,000 (2019 - \$838,825).

12. Related party transactions

Norjan Ventures Inc., Jessmat Holdings Ltd. and the Company are related parties by virtue of common control.

During the year, the Company paid rent and property taxes to Norjan Ventures Inc. in the amount of \$216,960 (2019 - \$216,960) and to Jessmat Holdings Ltd. in the amount of \$339,000 (2019 - \$339,000). These charges are in the normal course of operations and measured at the exchange amount.

13. Subsequent event

Subsequent to the year-end, the World Health Organization characterized the outbreak of a strain of the novel coronavirus as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods. Effective March 16, 2020, all Mendocino and M Boutique stores were closed for an indefinite period. To manage cash flow the Company managed to get deferral on rental payments for these stores. The overall effect of these events on the Company and its operations is too uncertain to be estimated at this time. The impact will be accounted for when they are known and can be assessed.

**THIS IS EXHIBIT "E" TO
THE AFFIDAVIT OF JAN KAPLAN
SWORN BEFORE ME THIS 30th
DAY OF JULY, 2020.**

A handwritten signature in blue ink, appearing to read "Sam Tam", is written above a horizontal line.

A Commissioner etc.

1:37 PM
27/07/20
Accrual Basis

Mendocino Clothing Ltd.
Balance Sheet
As of June 30, 2020

	Jun 30, 20	Jun 30, 19
ASSETS		
Current Assets		
Chequing/Savings		
Merchandising Clearing EURO	81.90	81.90
00015 · Petty Cash - Office	170.50	548.05
01000 · Cash & Short Term Deposits-Cdn	940,128.95	1,212,170.76
01001 · Cash & Short Term Deposits - US	11,166.11	-269,241.08
Total Chequing/Savings	951,547.46	943,559.63
Accounts Receivable		
1200 · *Accounts Receivable	1,059.43	882.45
Total Accounts Receivable	1,059.43	882.45
Other Current Assets		
00074 · Employee Expense Clearing	-727.66	-2,315.75
00075 · Cash Clearing	58,119.49	52,826.77
01050 · Accounts Receivable	144,462.20	243,546.57
01100 · Inventory'	2,059,844.96	1,992,820.06
01101 · Inventory - Freight & Brokerage	72,719.27	72,719.27
01102 · 909 - Inventory	0.00	-555.03
01201 · Prepaid Expenses Sundry Assets	199,041.73	196,734.02
01450 · Forward Contracts	0.00	12,480.00
Total Other Current Assets	2,533,459.99	2,568,255.91
Total Current Assets	3,486,066.88	3,512,697.99
Fixed Assets		
01401 · Equip. & Leasehold Improvements	3,405,906.13	4,373,070.30
1900 · Trademarks	84,834.69	74,285.69
Total Fixed Assets	3,490,740.82	4,447,355.99
TOTAL ASSETS	6,976,807.70	7,960,053.98
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
02200 · Accounts Payable - Trade	3,999,961.47	403,900.48
02405 · US Accounts Payable	962,111.19	376,245.90
20000 · Accounts Payable - GBP	-0.02	-0.02
Total Accounts Payable	4,962,072.64	780,146.36
Other Current Liabilities		
02285 · Accrued Charges	680,245.97	840,304.77
02350 · Taxes Payable	-660,794.73	177,527.23
02401 · Due to Director	-38,504.35	-128,115.93
05855 · RDTOH	0.00	25,060.00
Total Other Current Liabilities	-19,053.11	914,776.07
Total Current Liabilities	4,943,019.53	1,694,922.43
Long Term Liabilities		
02448 · BCRS - TD Operating Loan	325,000.00	30,000.00
02464 · Loan # 9306601-16 Queen West	10,611.94	58,366.57
02465 · Loan - # 9306601-17 Eaton Ctr	25,455.00	63,637.50
02467 · Loan - # 9306601-19 Sherway M	48,377.72	96,755.24
02470 · Loan - # 9306601-22 Square One	50,441.71	126,104.35
02472 · Loan - # 9306601-24 Yorkdale M	111,951.30	189,456.24
02473 · Loan - # 9306601-25 VaughanMill	66,988.96	117,156.04
02474 · Loan - # 9306601-26 Yorkdale	183,799.20	275,699.10
02475 · Loan - # 9306601-18 Mapleview	94,966.42	142,449.61
02478 · Loan - # 9306601-29 Renovations	99,396.80	143,742.95
02479 · Loan - # 9306601-30 Eaton Ctr M	44,488.00	57,000.25
02480 · Loan - # 9306601-31 Renovations	113,049.10	132,291.50
02481 · Loan - # 9306601-32 New Stores	255,647.24	303,581.06
02482 · Loan - # 9306601-33 Renovations	255,091.70	295,906.34
02483 · Loan - # 9306601-08 ST 36 & 37	171,263.40	202,090.74
02484 · Loan - # 9306601-34 Squareone M	368,559.15	433,599.00
02485 · Loan - # 9306601-35 Yng&Eg Reno	213,639.00	0.00
Total Long Term Liabilities	2,438,726.64	2,667,836.49
Total Liabilities	7,381,746.17	4,362,758.92
Equity		
03320 · Capital Stock	2.00	2.00
03340 · Retained Earnings	3,520,705.11	5,288,876.99
03350 · Dividends	0.00	-300,000.00
Net Income	-3,925,645.75	-1,391,584.09
Total Equity	-404,938.64	3,597,294.90

1:37 PM
27/07/20
Accrual Basis

Mendocino Clothing Ltd.
Balance Sheet
As of June 30, 2020

	<u>Jun 30, 20</u>	<u>Jun 30, 19</u>
TOTAL LIABILITIES & EQUITY	<u>6,976,807.53</u>	<u>7,960,053.82</u>

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF MENDOCINO CLOTHING COMPANY LTD.

Estate/Court File No.: 31-2658047

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

AFFIDAVIT OF JAN KAPLAN

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Lawyers for Mendocino Clothing Company Ltd.

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SUPERIOR COURT OF JUSTICE
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TORONTO

**MOTION RECORD
(returnable August 10, 2020)
(Approval of Sale Process)**

CHAITONS LLP

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