

RICHTER

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BOMBAY & CO. INC., BOWRING & CO. INC. AND BENIX & CO. INC.

**FIRST REPORT OF RICHTER ADVISORY GROUP INC.,
IN ITS CAPACITY AS MONITOR OF
BOMBAY & CO. INC., BOWRING & CO. INC. AND BENIX & CO. INC.**

AUGUST 19, 2014

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Court File No. CV-14-10659-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
BOMBAY & CO. INC., BOWRING & CO. INC. AND BENIX & CO. INC.

FIRST REPORT OF RICHTER ADVISORY GROUP INC.
In its capacity as Monitor of Bombay & Co. Inc., Bowring & Co. Inc., and Benix & Co. Inc.

August 19, 2014

Introduction

1. On August 6, 2014 (the "**Filing Date**"), the Ontario Superior Court of Justice (Commercial List) (the "**Court**") issued an order (the "**Initial Order**") granting Bombay & Co. Inc. ("**Bombay**"), Bowring & Co. Inc. ("**Bowring**") and Benix & Co. Inc., ("**Benix**", and together with Bombay and Bowring the "**B+C Entities**") protection pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). Richter Advisory Group Inc. was appointed the Company's monitor (the "**Monitor**"). The Initial Order provided the Company with, inter alia, a stay of proceedings until September 5, 2014 (the "**Stay Period**"). The proceedings commenced by the B+C Entities under the CCAA are herein referred to as the "**CCAA Proceedings**". The Initial Order also granted the B+C Entities the authority to enter into terms of an amended forbearance agreement (the "**DIP Forbearance Agreement**"), pursuant to which the B+C Entities were able to secure interim financing and forbearance terms from their primary secured lender.
2. The principal purpose of the CCAA Proceedings are to: (i) ensure the ongoing operations of Bombay and Bowring; (ii) ensure that Bombay and Bowring have the necessary working capital funds to maximize the ongoing businesses of Bombay and Bowring for the benefit of the B+C Entities' stakeholders; (iii) restructure the operations of Bombay and Bowring, including the proposed closure of underperforming locations; and (iv) identify one or more parties interested in purchasing and/or investing in the B+C Entities' business or assets.

Purpose of this Report

3. The purpose of this report, the Monitor's first report (the "**First Report**") is to provide information to the Court in respect of the following:
 - (i) the B+C Entities' activities since the issuance of the Initial Order;
 - (ii) the Monitor's activities since the issuance of the Initial Order;
 - (iii) the key terms of a letter agreement (the "**Inventory Liquidation Consulting Agreement**") among Bombay, Bowring and a joint venture comprised of Merchant Retail Solutions, ULC, an affiliate of Hilco Merchant Resources, LLC and Gordon Brothers Retail Partners, LLC (collectively, the "**Consultant**") in which the Consultant will act as liquidation consultant to assist in liquidating inventory and other assets at certain Bombay and Bowring store locations;
 - (iv) the outline of a sales and investment solicitation process ("**SISP**") the B+C Entities propose to carry out; and
 - (v) the B+C Entities' request for an extension of the Stay Period to November 28, 2014.

Terms of Reference

4. In preparing this First Report, the Monitor has relied on unaudited financial information prepared by the representatives of the B+C Entities, the B+C Entities' books and records, discussions with the B+C Entities' management ("**Management**") and discussions with the B+C Entities' advisors. The Monitor has not conducted an audit or other verification of such information.
5. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

The B+C Entities' Activities since the Issuance of the Initial Order

6. Since the date of the Initial Order, the B+C Entities' activities have included:
 - (i) meeting and corresponding with employees regarding the CCAA Proceedings;

- (ii) preparing weekly financial reports for the Canadian Imperial Bank of Commerce (“**CIBC**” or the “**DIP Lender**”), the B+C Entities primary secured lender and DIP Lender, in accordance with the terms of the DIP Forbearance Agreement entered into between CIBC and the B+C Entities;
- (iii) communicating with key suppliers to secure goods and services during the CCAA Proceedings and to address payment terms;
- (iv) responding to calls and enquiries from creditors and other stakeholders regarding the CCAA Proceedings;
- (v) consulting with Oberfeld Snowcap, a company with expertise in the valuation of leases (the “**Lease Valuation Consultant**”), for the purpose of determining whether there is sale value in the leases connected to the Closing Stores (as defined below);
- (vi) reporting receipts and disbursements;
- (vii) making payments to suppliers for goods and services received following the issuance of the Initial Order;
- (viii) consulting with the Monitor to develop the SISP (as discussed below);
- (ix) reviewing the performance of each of Bombay and Bowring store to identify those underperforming stores that should be closed; and
- (x) consulting with the Monitor and the Consultant to develop the Inventory Liquidation Consulting Agreement.

The Monitor's Activities since the Issuance of the Initial Order

7. Since the date of the Initial Order, the Monitor's activities have included:

- (i) arranging for notice of the CCAA Proceedings to be published in the August 14, 2014 and August 21, 2014 editions of the Globe & Mail, as required pursuant to the Initial Order;
- (ii) sending a notice, within 5 days of the issuance of the Initial Order, of the CCAA Proceedings to all known creditors of the B+C Entities;

- (iii) establishing a website at www.richter.ca/en/insolvency-cases/b/bombay-and-co-inc-bowring-and-co-inc-benix-and-co-inc, where all materials filed with the Court, and all orders made by the Court in connection with the CCAA Proceedings, are available in electronic form;
- (iv) implementing procedures for the monitoring of the B+C Entities' cash flows and for ongoing reporting of variances to the B+C Entities' cash flow forecast;
- (v) assisting the B+C Entities with the preparation of their weekly report to CIBC in accordance with the terms of the DIP Forbearance Agreement;
- (vi) considering processes to market the B+C Entities' business and/or assets for sale and assisting the B+C Entities' in developing the SISP and communications with interested parties;
- (vii) corresponding with the Consultant regarding the liquidation and closure of underperforming stores and the terms of the Inventory Liquidation Consulting Agreement ;
- (viii) attending frequently at the B+C Entities' premises and meeting with Management to discuss the B+C Entities' operations and the CCAA Proceedings;
- (ix) corresponding and communicating extensively with the B+C Entities and their legal counsel;
- (x) instructing its legal counsel to send notice to all *Personal Property Security Act* creditors of the CCAA Proceedings. The notices were sent within the two business day requirement set out in the Initial Order. The notices informed all recipients that their rights may have been impacted by the Initial Order and of their ability to come back before the Court and seek to vary or amend the Initial Order. To date, neither the Monitor, nor its counsel, have received a response to these notices;
- (xi) corresponding and communicating with CIBC and its advisors;
- (xii) responding to calls and enquiries from creditors and other stakeholders regarding the CCAA Proceedings; and
- (xiii) preparing this First Report.

The Inventory Liquidation Consulting Agreement

8. As set out in the affidavit of F. Benitah sworn August 15, 2014 filed in support of the Company's motion returnable August 22, 2014 (the "**August 15 Benitah Affidavit**"), the B+C Entities, with the assistance of its advisors and in consultation with the Monitor, has concluded that a restructuring around profitable stores, while downsizing unprofitable locations, will maximize value for all stakeholders.
9. The B+C Entities, with the assistance of the Monitor, have identified stores that are underperforming with a view to closing those locations (the "**Closing Stores**") and disclaiming the leases as part of the restructuring initiatives that need to be implemented by the B+C Entities.
10. The Consultant was selected by the B+C Entities, in consultation with the Monitor, based on the Consultant's familiarity with the B+C Entities' inventory and operations as well as the Consultant's extensive knowledge and experience in retail liquidations. In this regard, the Monitor has been advised that the B+C Entities began working with the Consultant on a liquidation strategy for the Closing Stores prior to the Filing Date.
11. The key terms of the Inventory Liquidation Consulting Agreement, a copy of which is attached hereto as **Appendix "A"**, include:
 - (i) the Consultant will assist the B+C Entities in conducting a store closing or similar themed liquidation sale of all merchandise located in the Closing Stores, which are identified in Exhibit A to the Inventory Liquidation Consulting Agreement;
 - (ii) the liquidation is to commence on or about August 23, 2014 (the "**Commencement Date**") and is scheduled to terminate on or before November 23, 2014 (the "**Liquidation Period**");
 - (iii) the B+C Entities may elect to increase or decrease the number of Closing Stores included in the liquidation process. In this regard, if the lease terms for certain of the Closing Stores can be renegotiated during the Liquidation Period such that a location considered for closure may become desirable to a potential investor or purchaser, such store(s) can be removed from the liquidation process and placed into the SISP process (as discussed further below);
 - (iv) the conduct of the liquidation (the "**Sale Guidelines**") in regards to store operations and closings is governed by Exhibit C to the Inventory Liquidation Consulting Agreement. In the Monitor's view, the Sales Guidelines are in a form consistent with recent Canadian retail liquidations;

- (v) the B+C Entities are responsible for all reasonable costs and expenses in connection with the liquidation process at the Closing Stores;
 - (vi) In consideration of its services, the Consultant will earn a fee of two percent (2%) of the gross proceeds from the sale of all goods, saleable in the ordinary course, located in the Closing Stores on the Commencement Date as well as certain inventory located at the B+C Entities' distribution centre located at 3389 Steeles Avenue East, Brampton, Ontario;
 - (vii) the Consultant will also assist Bombay and Bowring in selling any owned furnishings, trade fixtures and equipment ("FF&E") located in the Closing Stores. The Consultant will earn a fee of twenty percent (20%) of the gross proceeds from the sale of the FF&E located in the Closing Stores; and
 - (viii) the Inventory Liquidation Consulting Agreement is subject to the approval of this Honourable Court.
12. At the conclusion of the Liquidation Period each of the Closing Stores will be surrendered to the landlord. The B+C Entities will work with the Consultant to coordinate the disclaimer of leases so that such disclaimers become effective on the conclusion of the liquidation period of each Closing Store.
13. The Monitor is supportive of the engagement of the Consultant and the Inventory Liquidation Consulting Agreement for the following reasons:
- (i) the liquidation of the Closing Stores through an experienced retail liquidator will allow the B+C Entities to focus on other aspects of their restructuring and particularly the remaining stores that are not designated for closure;
 - (ii) the Consultant has extensive experience in retail liquidations and inventory disposition in the Canadian marketplace;
 - (iii) the Consultant has previous experience liquidating Bombay/Bowring inventory due to its participation in the first Bombay/Bowring insolvency proceedings;
 - (iv) the B+C Entities began working with the Consultant on the development of a liquidation strategy prior to the Filing Date. As part of this work, the Monitor understands that the Consultant has prepared multiple liquidation models for the B+C Entities taking into consideration different inventory mix and store closing assumptions;

- (v) the Consultant recently conducted an appraisal of the B+C Entities' inventories and is familiar with both the inventory composition and the operations of the B+C Entities;
- (vi) the fee payable to the Consultant is, in the Monitor's experience, favourable for retail liquidations;
- (vii) the simple structure of the Inventory Liquidation Consulting Agreement provides maximum flexibility for the B+C Entities to add and/or remove store locations from the liquidation process as well as make adjustments to the inventory mix at the Closing Stores;
- (viii) the Consultant has extensive experience working with Canadian landlords of retail tenants in insolvency proceedings and understands their requirements and concerns;
- (ix) the cash flow forecast filed by the B+C Entities in support of the Initial Order (the "**Cash Flow Forecast**") contemplates that the inventory in the Closing Stores will be liquidated expeditiously. In the Monitor's view, it is essential that the liquidation of the Closing Stores commence as soon as possible to ensure that the B+C Entities have sufficient liquidity to fund their post-filing obligations. The delay associated with the further marketing of the liquidation opportunity (i.e. setting up a data room, contacting potential interested parties, responding to information requests, reviewing and evaluating offers, negotiating a definitive agreement, etc.) would, in the Monitor's view, negatively impact the B+C Entities' cash flows putting the B+C Entities' restructuring at risk and potentially impairing recoveries; and
- (x) the Lease Valuation Consultant has confirmed that, subject to the terms of lease being renegotiated, there is no residual value in the leases that are connected to the Closing Stores.

14. Based on the foregoing and taking into consideration the number of Closing Stores, the Monitor is of the view that the additional costs and delays associated with marketing the liquidation opportunity is not warranted. As such, the Monitor supports the Inventory Liquidation Consulting Agreement and respectfully recommends that this Honourable Court issue an order approving the Inventory Liquidation Consulting Agreement.

The Proposed Sales and Investment Solicitation Process

15. The Monitor notes that, to date, no active marketing of the B+C Entities' assets or operations have been undertaken. The Monitor also notes that, to date, it has not received any serious expressions of interest to acquire or invest in the business and/or assets of the B+C Entities and, to the knowledge of the Monitor, neither have the B+C Entities.
16. As noted in the B+C Entities' materials filed in support of its application pursuant to the CCAA, it is the B+C Entities' belief that potential interested parties may be interested in acquiring and/or investing in all three brands and, as such, it is the B+C Entities' intention that Bombay, Bowring and Benix be marketed together.
17. In order to provide third parties with an opportunity to consider an acquisition of or investment in the B+C Entities, the Monitor proposes to market the B+C Entities' business and assets to third parties for a period of approximately 35 days. The Monitor and the B+C Entities have developed a process to manage the sales and investment solicitation process ("**SISP**"), which is attached as **Appendix "B"** to this First Report, that is designed to ensure that the marketing process is fair and reasonable and prospective interested parties have the ability to make an offer to invest in and/or acquire the B+C Entities or their assets. The Monitor will oversee all aspects of the SISP.
18. The SISP, which sets out the manner in which prospective interested parties may submit a bid to purchase the B+C Entities and/or their assets or make an investment in the B+C Entities, provides a means for testing the market and gauging interest in the B+C Entities and/or their assets.
19. The Monitor understands that Management or a related party or parties may be considering the submission of a bid pursuant to the SISP. The SISP contemplates that, if those parties intend to participate in the SISP, they must advise the Monitor in writing of such intention on or before August 29, 2014 (the "**Participation Notice**"). Upon receipt of a Participation Notice, Management will be excused from any participation in the SISP other than as a bidder, and will be subject to the SISP procedures in its capacity as a bidder.
20. The principal elements of the SISP are as follows (defined terms used in this section not otherwise defined herein have the meaning ascribed to them in the SISP):
 - (i) as soon as possible following the issuance of a Court order approving the SISP (anticipated to be August 22, 2014) and no later than August 27, 2014, the Monitor will distribute the Teaser

Letter to a list of prospective purchasers and investors ("**Potential Bidders**"), which list has already been developed by the Monitor and the B+C Entities;

- (ii) potential Bidders that wish to commence due diligence will be required to sign a confidentiality agreement ("**CA**");
- (iii) once a CA has been signed by a Potential Bidder (now an "**Interested Party**"), they will receive access to an electronic data room. The data room is being populated by the Monitor with the assistance of the B+C Entities. Interested Parties will also receive a copy of the SISP;
- (iv) after completion of the due diligence period, each Interested Party is required to submit an offer to acquire and/or invest in the B+C Entities' business or assets to the Monitor on or before 12:00 p.m. (EST) on September 26, 2014 (the "**Offer Deadline**");
- (v) all offers must be irrevocable until 11:59 p.m. (EST) on November 6, 2014 and must be accompanied by a deposit payable to the Monitor, in trust, in an amount equal to 10% of the total purchase price or financing;
- (vi) the Monitor shall have discretion to consult and negotiate with any participating bidder with respect to their offer;
- (vii) once all offers are clarified, the Monitor shall determine which offer provides the greatest value to the B+C Entities' stakeholders. If such offer is an Investment Proposal, the B+C Entities and/or the Monitor may return to Court for directions, as appropriate. If such offer is a Sale Proposal, an auction may be triggered if one or more of the submitted offers are within \$5 million of the highest offer (the "**Threshold Bidder**");
- (viii) in circumstances where no auction is required and Management has not delivered a Participation Notice, the Monitor will provide its recommendation to Management with respect to selecting the offer to consummate the transaction. If, under these circumstances, Management selects the offer, the Monitor shall promptly notify the Successful Bidder that its offer has been accepted, subject to Court approval. If Management does not accept the offer, the B+C Entities and/or the Monitor will return to Court for directions;

- (ix) in circumstances where no auction is required and Management has submitted a Participation Notice, the Monitor shall have the sole discretion to accept and offer or refuse all offers received. If, under these circumstances, the Monitor accepts an offer, the Monitor shall promptly notify the Successful Bidder that its offer has been accepted, subject to Court approval;
- (x) if no acceptable offers have been received by the Offer Deadline, the SISF shall be terminated and the B+C Entities will seek direction from the Court;
- (xi) in the event an auction is triggered, the Monitor shall send notice to any Qualified Bidders, on or before October 3, 2014, advising of: (i) the date, time and location of the proposed auction, (ii) the terms of the Opening Bid (as hereinafter defined), (iii) the minimum first bid required in order to exceed the Threshold Bidder's offer, and (iv) the procedures pursuant to which the auction will be conducted;
- (xii) Qualified Bidders must notify the Monitor, in writing, by no later than 12:00 p.m. (EST) on October 6, 2014, of their intention to participate in the auction;
- (xiii) if the only Qualified Bidder electing to participate in the auction process is the Threshold Bidder, the Threshold Bidder shall be deemed to be the Successful Bidder, subject to Court approval;
- (xiv) in circumstances where more than one Qualified Bidder elects to participate in the auction, the auction shall take place on or before October 8, 2014;
- (xv) bidding at the auction shall begin with the Threshold Bidder's offer (the "**Opening Bid**") and each subsequent round of bidding shall continue in minimum increments of at least the Minimum Overbid Increment (\$150,000);
- (xvi) if at the end of any round of bidding an Auction Participant fails to submit an Overbid, such Auction Participant will not be eligible to continue to participate in the next round of the auction;
- (xvii) upon conclusion of the bidding, the auction shall be closed and the Monitor shall notify the Auction Participants of the Successful Bid;

- (xviii) the Accepted Offer or the Successful Bid is subject to approval by the DIP Lender if the cash proceeds payable on closing are not sufficient to repay all amounts owing to the DIP Lender; and
- (xix) the Accepted Offer or the Successful Bid is subject approval of this Honourable Court.
21. As noted in the August 15 Benitah Affidavit, a copy of the SISP was provided to CIBC on August 14, 2014. CIBC has advised that it was not provided sufficient time to fully review the SISP and, consequently, reserves the right to object to the SISP and to negotiate the SISP further after a more careful review.
22. The Monitor notes that the proposed timeframe is condensed, but with full cooperation from the B+C Entities during the SISP period, particularly in respect of the provision of information to interested parties, the Monitor believes that the deadlines proposed in the SISP are reasonable in the circumstances. The Monitor will report back to the Court if facts or circumstances require the Monitor or the B+C Entities to reevaluate the time periods or the SISP.
23. The Monitor is of the view that, in the circumstances, the proposed SISP represents the best opportunity to identify a potential going concern sale or investment transaction for the B+C Entities and maximize the value of the B+C Entities' business for the benefit of their stakeholders.
24. The proposed SISP will provide a mechanism to preserve the going concern value of the B+C Entities, whereas a wind-down of the operations and an immediate liquidation of the B+C Entities' business would likely result in a substantial diminution in realizable value for all creditors. A wind-down and liquidation of the B+C Entities' business would also eliminate a significant number of jobs that may be preserved if a successful sale or restructuring is effected.
25. In light of the above, the Monitor supports the B+C Entities' request for approval of the proposed SISP to permit Interested Parties an opportunity to make an offer to acquire the B+C Entities' assets or invest in the B+C Entities' business.

The B+C Entities' Request for an Extension of the Stay of Proceedings to November 28, 2014

26. The current Stay Period expires on September 5, 2014. The B+C Entities are seeking an extension of the Stay Period to November 28, 2014.

27. As the Cash Flow Statement only runs until November 1, 2014, the B+C Entities, with the assistance of the Monitor, have prepared an extended consolidated forecast of its receipts, disbursements and financing requirements for the period August 2, 2014 to November 29, 2014 (the “**Extended Cash Flow Statement**”). A copy of the Extended Cash Flow Statement is attached hereto as **Appendix “C”** and is summarized below:

Bombay & Co. Inc., Bowring & Co. Inc. and Benix & Co. Inc. Cash Flow Forecast For the Period August 2, 2014 - November 29, 2014 (\$000's)		Total
Gross Receipts	\$	48,462
Disbursements		
Purchases		19,120
Rent		9,183
Store expenses & Other		7,086
Payroll		8,356
Sales Tax		1,680
Interest		557
Utilities		506
DIP Fee		175
Professional Fees		1,559
		48,223
Net Cash Flow		239
Opening Bank Loan		14,767
Closing Bank Loan	\$	14,528

28. The Extended Cash Flow Forecast indicates that the B+C Entities will have sufficient liquidity to fund both operating costs and the costs of these CCAA Proceedings during the extension of the Stay Period, if granted.
29. The Monitor is of the view that the extension to the Stay Period is appropriate in the circumstances and supports the B+C Entities' request for an extension of the Stay Period for the following reasons:
- (i) The B+C Entities have acted and are acting in good faith and with due diligence;
 - (ii) It will allow for the SISP to be substantially advanced;
 - (iii) It will permit the B+C Entities to move forward with the liquidation and closure of underperforming stores; and

- (iv) The granting of the extension should not prejudice any employee or creditor, as the B+C Entities are projected to have sufficient funds to pay post-filing services and supplies, as contemplated by the Extended Cash Flow Forecast.

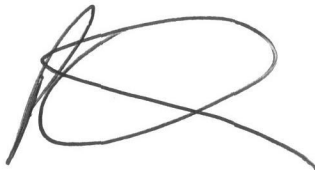
Monitor's Recommendations

30. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court issue an order:
- (i) authorizing and directing the B+C Entities to enter into the Inventory Liquidation Consulting Agreement;
 - (ii) approving the SISP; and
 - (iii) extending the Stay Period to November 28, 2014.

All of which is respectfully submitted this 19th day of August, 2014.

Richter Advisory Group Inc.
in its capacity as Proposed Monitor of
Bombay & Co. Inc., Bowring & Co. Inc. and Benix & Co. Inc.

Per:



Paul van Eyk, CPA, IFA, CIRP



Adam Sherman, MBA, CIRP

Appendix “A”

MERCHANT RETAIL SOLUTIONS ULC GORDON BROTHERS CANADA ULC

August 15, 2014

VIA EMAIL

Mr. Fred Benitah
Bombay & Co. Inc.
Bowring & Co. Inc.
98 Orfus Road
Toronto, Ontario
Canada M6A 1L9

Re: **Letter Agreement Governing Inventory Disposition**

Dear Fred:

This letter shall serve as an agreement ("Agreement") between a joint venture comprised of Merchant Retail Solutions, ULC, an affiliate of Hilco Merchant Resources, LLC, and Gordon Brothers Canada ULC, an affiliate of Gordon Brothers Retail Partners, LLC, on the one hand ("Consultant" or a "Party"), and Bombay & Co. Inc. and Bowring & Co. Inc., on the other hand (collectively, "Merchant" or a "Party" and together with the Consultant, the "Parties"), under which Consultant shall act as exclusive consultant to Merchant for the purpose of advising with respect to a sale of certain Merchandise (as defined below) at the Merchant's stores set forth on Exhibit A (each a "Store" and collectively, the "Stores") through a "Store Closing", "Everything Must Go", "Everything on Sale" or similar themed sale as approved in writing by Merchant (the "Sale"). The Merchant may elect to increase or decrease the number of Stores included in the Sale at its discretion. To the extent necessary, Merchant and Consultant will mutually agree on any modifications to the Expense Budget as a result of the increase or decrease in the number of Stores included in the Sale.

A. Merchandise

For purposes hereof, "Merchandise" shall mean all goods, saleable in the ordinary course, located in the Stores on the Sale Commencement Date, as well as certain inventory currently located or to be located in the Merchant's distribution center which Merchant requires to be sold through the Sale. "Merchandise" does not mean and shall not include: (1) goods that belong to sublessees, licensees or concessionaires of Merchant; (2) owned furnishings, trade fixtures, equipment and improvements to real property that are located in the Stores (collectively, "FF&E"); or (3) damaged or defective merchandise that cannot be sold.

B. Sale Term

For each Store, the Sale shall commence on or about August 23, 2014 (the "Sale Commencement Date") and conclude approximately November 23, 2014 (the "Sale Termination").

Date”); provided, however, that the Parties may mutually agree in writing to extend or Merchant may in writing terminate the Sale at any Store prior to the Sale Termination Date. The Consultant acknowledges that, pursuant to Section 32 of the *Companies Creditors' Arrangement Act* (“CCAA”), it is the intention of the Merchant to give thirty (30) days’ notice of disclaimer of the lease agreement for each Store on October 24, 2014 (such date being thirty (30) days before the Sale Termination Date), so that the effective date of the disclaimer of the lease coincides with the Sale Termination Date. If the Consultant recommends the termination of the Sale at any Store prior to the Sale Termination Date, the Consultant shall provide the Merchant with notice of that recommendation no less than thirty-five (35) days prior to the revised Sale Termination Date applicable to such Store in order to allow the Merchant to give notice of disclaimer of the lease thirty (30) days prior to the revised Sale Termination Date applicable to such Store. The period between the Sale Commencement Date and the Sale Termination Date shall be referred to as the “Sale Term.” At the conclusion of the Sale, Consultant shall arrange that the premises for each Store are in broom clean condition and in accordance with the lease requirements for such premises specified by Merchant; provided, however, Merchant shall bear all costs and expenses associated with surrendering the premises to the landlords according to the budget to be established by Merchant and Consultant. At the conclusion of the Sale at each Store, Consultant shall photographically document the condition of each such Store.

C. Project Management

(i) Consultant's Undertakings

During the Sale Term, Consultant shall (a) provide qualified supervisors (the “Supervisors”) engaged by Consultant to oversee the management of the Stores; (b) recommend appropriate point-of-sale and external advertising for the Stores, for approval in writing by Merchant; (c) recommend appropriate discounts of Merchandise and staffing levels for the Stores and appropriate bonus and incentive programs, if any, for the Stores’ employees, for approval in writing by Merchant; (d) oversee display of Merchandise for the Stores; (e) to the extent that information is available, evaluate sales of Merchandise by category, provide sales reporting and monitor expenses; (f) maintain the confidentiality of all proprietary or non-public information regarding Merchant in accordance with the provisions of the confidentiality agreement signed by the Parties; (g) assist Merchant in connection with managing and controlling loss prevention and employee relations matters; and (h) provide such other related services deemed necessary or appropriate by Merchant and Consultant.

The Parties expressly acknowledge and agree that Merchant shall have no liability to the Supervisors for wages, benefits, severance pay, termination pay, vacation pay, pay in lieu of notice of termination or any other liability arising from Consultant’s hiring or engagement of the Supervisors, and the Supervisors shall not be considered employees of Merchant.

(ii) Merchant's Undertakings

All sales of Merchandise during the Sale Term shall be made by Merchant for its own account. Accordingly, during the Sale Term, Merchant shall (a) be the employer of the Stores’ employees, other than the Supervisors; (b) pay all taxes, costs, expenses, accounts payable, and other liabilities relating to the Stores, the Stores’ employees and other representatives of Merchant; (c) prepare and process all tax forms and other documentation; (d) collect all HST/GST and other applicable taxes assessed on the sale of the Merchandise and pay them to the appropriate taxing

earned hereunder) no later than forty five (45) days following the Sale Termination Date for the last Store.

F. Indemnification

(i) Merchant's Indemnification

Merchant shall indemnify, defend, and hold Consultant and its consultants, members, managers, partners, officers, directors, employees, attorneys, advisors, representatives, lenders, potential co-investors, principals, affiliates, and Supervisors (collectively, "Consultant Indemnified Parties") harmless from and against all liabilities, claims, demands, damages, costs and expenses (including reasonable attorneys' fees) arising from or related to: (a) the willful or negligent acts or omissions of Merchant or the Merchant Indemnified Parties (as defined below); (b) the material breach of any provision of this Agreement by Merchant; (c) any liability or other claims, including, without limitation, product liability claims, asserted by customers, any Store employees (under a collective bargaining agreement or otherwise), or any other person (excluding Consultant Indemnified Parties) against Consultant or a Consultant Indemnified Party, except claims arising from Consultant's negligence, willful misconduct or unlawful behavior; (d) any harassment, discrimination or violation of any laws or regulations or any other unlawful, tortious or otherwise actionable treatment of Consultant's Indemnified Parties or Merchant's customers by Merchant or Merchant's Indemnified Parties; and (e) Merchant's failure to pay over to the appropriate taxing authority any taxes required to be paid by Merchant during the Sale Term in accordance with applicable law.

(ii) Consultant's Indemnification

Consultant shall indemnify, defend and hold Merchant and its consultants, members, managers, partners, officers, directors, employees, attorneys, advisors, representatives, lenders, potential co-investors, principals, and affiliates (other than the Consultant or the Consultant Indemnified Parties) (collectively, "Merchant Indemnified Parties") harmless from and against all liabilities, claims, demands, damages, costs and expenses (including reasonable attorneys' fees) arising from or related to (a) the willful or negligent acts or omissions of Consultant or the Consultant Indemnified Parties; (b) the breach of any provision of, or the failure to perform any obligation under, this Agreement by Consultant; (c) any liability or other claims made by Consultant's Indemnified Parties or any other person (excluding Merchant Indemnified Parties) against a Merchant Indemnified Party arising out of or related to Consultant's services hereunder, except claims arising from Merchant's negligence, willful misconduct, or unlawful behavior; (d) any harassment, discrimination or violation of any laws or regulations or any other unlawful, tortious or otherwise actionable treatment of Merchant Indemnified Parties, or Merchant's customers by Consultant or any of the Consultant Indemnified Parties and (e) any claims made by any party engaged by Consultant as an employee, agent, representative or independent contractor arising out of such engagement.

G. Insurance

(i) Merchant's Insurance Obligations

Merchant shall maintain throughout the Sale Term, liability insurance policies (including, without limitation, products liability (to the extent currently provided), comprehensive public liability insurance and auto liability insurance) covering injuries to persons and property in or in

connection with the Stores, and shall cause Consultant to be named an additional insured with respect to all such policies. At Consultant's request, Merchant shall provide Consultant with a certificate or certificates evidencing the insurance coverage required hereunder and that Consultant is an additional insured thereunder. In addition, Merchant shall maintain throughout the Sale Term, in such amounts as it currently has in effect, workers compensation insurance in compliance with all statutory requirements.

(ii) Consultant's Insurance Obligations

As an expense of the Sale, Consultant shall maintain throughout the Sale Term, liability insurance policies (including, without limitation, products liability/completed operations, contractual liability, comprehensive public liability and auto liability insurance) on an occurrence basis in an amount of at least Two Million dollars (\$2,000,000) and an aggregate basis of at least five million dollars (\$5,000,000) covering injuries to persons and property in or in connection with Consultant's provision of services at the Stores. Consultant shall name Merchant as an additional insured and loss payee under such policy, and upon execution of this Agreement provide Merchant with a certificate or certificates evidencing the insurance coverage required hereunder. In addition, Consultant shall maintain throughout the Sale Term, workers compensation insurance compliance with all statutory requirements. Further, should Consultant employ or engage third parties to perform any of Consultant's undertakings with regard to this Agreement, Consultant will ensure that such third parties are covered by Consultant's insurance or maintain all of the same insurance as Consultant is required to maintain pursuant to this paragraph and name Merchant as an additional insured and loss payee under the policy for each such insurance.

H. Representations, Warranties, Covenants and Agreements

(i) Merchant warrants, represents, covenants and agrees that (a) Merchant is a company duly organized, validly existing and in good standing under the laws of its province of organization, with full power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and maintains its principal executive office at the address set forth herein, (b) the execution, delivery and performance of this Agreement has been duly authorized by all necessary actions of Merchant and this Agreement constitutes a valid and binding obligation of Merchant enforceable against Merchant in accordance with its terms and conditions, and the consent of no other entity or person is required for Merchant to fully perform all of its obligations herein, (c) all ticketing of Merchandise at the Stores has been and will be done in accordance with Merchant's customary ticketing practices; (d) all normal course hard markdowns on the Merchandise have been, and will be, taken consistent with customary Merchant's practices, and (e) the Stores will be operated in the ordinary course of business in all respects, except as determined by Merchant in writing.

(ii) Consultant warrants, represents, covenants and agrees that (a) Consultant is a company duly organized, validly existing and in good standing under the laws of its province of organization, with full power and authority to execute and deliver this Agreement and to perform the Consultant's obligations hereunder, and maintains its principal executive office at the addresses set forth herein, (b) the execution, delivery and performance of this Agreement has been duly authorized by all necessary actions of Consultant and this Agreement constitutes a valid and binding obligation of Consultant enforceable against Consultant in accordance with its terms and conditions, and the consent of no other entity or person is required for Consultant to fully perform all of its obligations herein, (c) Consultant shall comply with and act in accordance with any and all

applicable federal, provincial and local laws, rules, and regulations, and other legal obligations of all governmental authorities, and (d) Consultant will not take any disciplinary action against any employee of Merchant.

I. Furniture, Fixtures and Equipment

Consultant shall advise in connection with the sale of the FF&E in the Stores from the Stores themselves. Merchant shall be responsible for all reasonable costs and expenses incurred by Consultant in connection with such advice, which costs and expenses shall be incurred pursuant to a budget or budgets to be established from time to time by mutual agreement of the Parties. All sales of FF&E during the Sale Term shall be made by Merchant for its account, at prices, payable in cash, and upon such other terms determined by Merchant. Any unsold FF&E shall be disposed of as Merchant may, in its discretion, determine.

In consideration for providing the services set forth in this section I, Consultant shall be entitled to a fee equal to twenty percent (20%) of the Gross Proceeds of the sale of the FF&E.

During each weekly reconciliation described in section E above, Consultant's FF&E fee shall be calculated, and Consultant's calculated FF&E fee and all reasonable, documented out of pocket costs and expenses then incurred pursuant to this Section I shall be paid within seven (7) days after each such weekly reconciliation.

J. Termination

The following shall constitute "Termination Events" hereunder:

- (a) Merchant's or Consultant's failure to perform any of their respective material obligations hereunder, which failure shall continue uncured seven (7) days after receipt of written notice thereof to the defaulting Party;
- (b) any representation or warranty made by Merchant or Consultant is untrue in any material respect as of the date made or at any time and throughout the Sale Term; or
- (c) the Sale is terminated or materially interrupted or impaired for any reason other than an event of default by Consultant or Merchant.

If a Termination Event occurs, the non-defaulting Party (in the case of an event of default) or either Party (if the Sale is otherwise terminated or materially interrupted or impaired) may, in its discretion, elect to terminate the term of this Agreement by providing seven (7) business days' written notice thereof to the other Party and, in the case of an event of default, in addition to terminating the term of this Agreement, pursue any and all rights and remedies and damages resulting from such default. If the term of this Agreement is terminated, Merchant shall be obligated to pay Consultant all amounts due under this Agreement through and including the termination date.

K. Notices

All notices, certificates, approvals, and payments provided for herein shall be sent by fax or by recognized overnight delivery service as follows: (a) To Merchant: at the address listed above;

(b) To Consultant: Merchant Retail Solutions, ULC c/o Hilco Merchant Resources, LLC, One Northbrook Place, 5 Revere Drive, Suite 206, Northbrook, IL 60062, Fax: 847- 897-0859, Attn: Ian S. Fredericks; or (c) such other address as may be designated in writing by Merchant or Consultant.

L. Independent Consultant

Consultant's relationship to Merchant is that of an independent contractor without the capacity to bind Merchant in any respect. No employer/employee, principal/agent, joint venture or other such relationship is created by this Agreement. Merchant shall have no control over the hours that Consultant or its employees or assistants or the Supervisors work or the means or manner in which the services that will be provided are performed and Consultant is not authorized to enter into any contracts or agreements on behalf of Merchant or to otherwise create any obligations of Merchant to third parties, unless authorized in writing to do so by Merchant.

M. Non-Assignment

Neither this Agreement nor any of the rights hereunder may be transferred or assigned by either Party without the prior written consent of the other Party. No modification, amendment or waiver of any of the provisions contained in this Agreement, or any future representation, promise or condition in connection with the subject matter of this Agreement, shall be binding upon any Party to this Agreement unless made in writing and signed by a duly authorized representative or agent of such Party. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, legal representatives, successors and permitted assigns.

N. Severability

If any term or provision of this Agreement, as applied to either Party or any circumstance, for any reason shall be declared by a court of competent jurisdiction to be invalid, illegal, unenforceable, inoperative or otherwise ineffective, that provision shall be limited or eliminated to the minimum extent necessary so that this Agreement shall otherwise remain in full force and effect and enforceable. If the surviving portions of the Agreement fail to retain the essential understanding of the Parties, the Agreement may be terminated by mutual consent of the Parties.

O. Governing Law, Venue, Jurisdiction and Jury Waiver

This Agreement, and its validity, construction and effect, shall be governed by and enforced in accordance with the internal laws of the Province of Ontario (without reference to the conflicts of laws provisions therein). Merchant and Consultant waive their respective rights to trial by jury of any cause of action, claim, counterclaim or cross-complaint in any action, proceeding and/or hearing brought by either Consultant against Merchant or Merchant against Consultant on any matter whatsoever arising out of, or in any way connected with, this Agreement, the relationship between Merchant and Consultant, any claim of injury or damage or the enforcement of any remedy under any law, statute or regulation, emergency or otherwise, now or hereafter in effect.

P. Entire Agreement

This Agreement, together with all additional schedules and exhibits attached hereto, constitutes a single, integrated written contract expressing the entire agreement of the Parties concerning the subject matter hereof. No covenants, agreements, representations or warranties of

any kind whatsoever have been made by any Party except as specifically set forth in this Agreement. All prior agreements, discussions and negotiations are entirely superseded by this Agreement.

Q. Execution

This Agreement may be executed simultaneously in counterparts (including by means of electronic mail, facsimile or portable document format (pdf) signature pages), any one of which need not contain the signatures of more than one party, but all such counterparts taken together shall constitute one and the same instrument. This Agreement, and any amendments hereto, to the extent signed and delivered by means of electronic mail, a facsimile machine or electronic transmission in portable document format (pdf), shall be treated in all manner and respects as an original thereof and shall be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person.

R. Court Approval

The Parties acknowledge and agree that enforceability of this Agreement shall be contingent upon the approval of this Agreement by the Ontario Superior Court of Justice in connection with the CCAA proceedings of the Merchant.

any kind whatsoever have been made by any Party except as specifically set forth in this Agreement. All prior agreements, discussions and negotiations are entirely superseded by this Agreement.

Q. Execution

This Agreement may be executed simultaneously in counterparts (including by means of electronic mail, facsimile or portable document format (pdf) signature pages), any one of which need not contain the signatures of more than one party, but all such counterparts taken together shall constitute one and the same instrument. This Agreement, and any amendments hereto, to the extent signed and delivered by means of electronic mail, a facsimile machine or electronic transmission in portable document format (pdf), shall be treated in all manner and respects as an original thereof and shall be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person.

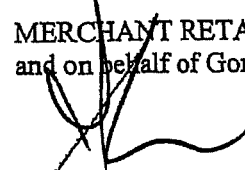
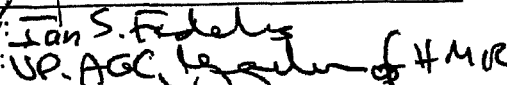
R. Court Approval

The Parties acknowledge and agree that enforceability of this Agreement shall be contingent upon the approval of this Agreement by the Ontario Superior Court of Justice in connection with the CCAA proceedings of the Merchant.

If this Agreement is acceptable to you, kindly execute a copy in the space provided, and return a countersigned version to the undersigned. Thank you again for this opportunity -- we look forward to working with you.

Very truly yours,

MERCHANT RETAIL SOLUTIONS, ULC, on its own behalf
and on behalf of Gordon Brothers Canada ULC

By: 
Its: VP. AGC,  #MOR

AGREED AND ACCEPTED as of the ___ day
of August, 2014:

BOMBAY & CO. INC.

By: 
Its:

BOWRING & CO. INC.

By: 
Its:

EXECUTION VERSION

**Exhibit A
Stores**

[To be filed separately with the Court at or before the hearing]

EXECUTION VERSION

Exhibit B
Expense Budget

**Bombay and Bowring
Exhibit B**

Expense Budget (1)

	Bombay	Bowring	Total
<u>Advertising</u>			
Media	72,000	68,500	140,500
Signs	51,567	50,544	102,111
Sign Walkers	57,840	75,120	132,960
Subtotal Advertising	181,407	194,164	375,571
<u>Supervision</u>			
Fees / Wages / Expenses (2)	343,099	375,010	718,110
Subtotal Supervision	343,099	375,010	718,110
Total Expenses	524,506	569,174	1,093,680

Note(s):

1. The expense budget is based upon 39 stores, to the extent that the store list is increased or decreased, the expense budget may be adjusted in amounts to be mutually agreed upon.
2. Includes Deferred Compensation and Insurance.

EXECUTION VERSION

**Exhibit C
Sale Guidelines**

SALE GUIDELINES

The following procedures shall apply to any sale of Merchandise¹ and FF&E held in the Stores during the Sale Term:

1. Except as otherwise expressly set out herein, and subject to: (i) an Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") approving the Inventory Disposition Agreement; or (ii) any written agreement between the Merchant and the applicable landlord(s), the Sale shall be conducted in accordance with the terms of the applicable lease in respect of each Store.
2. The Sale shall be conducted so that the Stores remain open no longer than the normal hours of operation provided for in the respective leases or other occupancy agreement for the Stores.
3. The Sale shall be conducted in accordance with applicable federal, provincial and municipal laws, unless otherwise ordered by the Court.
4. All display and hanging signs used by the Merchant and the Consultant in connection with the Sale shall be professionally produced and all hanging signs shall be hung in a professional manner. The Merchant and the Consultant may advertise the Sale at the Stores as a "sale on everything", "store closing" or similar themed sale as approved in writing by the Merchant. The Merchant and the Consultant shall not use neon or day-glo signage. Furthermore, with respect to enclosed mall Store locations without a separate entrance from the exterior of the enclosed mall, no exterior signs or signs in common areas of a mall shall be used unless permitted by the applicable leases. Nothing contained herein shall be construed to create or impose upon the Merchant and the Consultant any additional restrictions not contained in the applicable lease or other occupancy agreement. In addition, the Merchant and the Consultant shall be permitted to utilize exterior banners at non-enclosed mall Stores or enclosed mall Stores with a separate entrance from the exterior of the enclosed mall; provided, however, that such banners shall be located or hung so as to make clear that the Sale is being conducted only at the affected store and shall not be wider than the premises occupied by the Store. All exterior banners shall be professionally hung and to the extent that there is any damage to the façade of the premises of a Store as a result of the hanging or removal of the exterior banner, such damage shall be professionally repaired at the expense of the Consultant.
5. The Merchant and the Consultant shall be permitted to utilize sign walkers and street signage; provided, however, such sign walkers and street signage shall not be located on the shopping center/mall premises.

¹ Capitalized terms that are not defined herein have the meanings ascribed to them in the letter agreement governing inventory disposition, dated August 15, 2014 "the "Inventory Disposition Agreement", between Merchant Retail Solutions, ULC, an affiliate of Hilco Merchant Resources, LLC, and Gordon Brothers Canada ULC, an affiliate of Gordon Brothers Retail Partners, LLC, on the one hand (collectively, the "Consultant") and Bombay & Co. Inc. and Bowring & Co. Inc. on the other hand (collectively, the "Merchant").

6. Conspicuous signs shall be posted in the cash register areas of each Store to the effect that all sales are "final" and that customers with any questions or complaints subsequent to the conclusion of the Sale may contact a named representative of the Merchant or the Consultant at a specified telephone number.
7. The Merchant and the Consultant shall not distribute handbills, leaflets or other written materials to customers outside of any of the Stores, unless permitted by the applicable lease or, if distribution is customary in the shopping center in which the Store is located. Otherwise, the Merchant and the Consultant may solicit customers in the Stores themselves. The Merchant and the Consultant shall not use any giant balloons, flashing lights or amplified sound to advertise the Sale or solicit customers, except as permitted under the applicable lease or agreed to by the landlord.
8. At the conclusion of the Sale, the Merchant and the Consultant shall arrange that the premises for each Store are in "broom-swept" and clean condition, and shall otherwise leave the Stores in the same condition as on the commencement of the Sale, ordinary wear and tear excepted. No fixtures may be removed without complying with the provisions of the Initial Order of the Court, dated August 6, 2014. In any event, no property of any landlord of a Store shall be removed or sold during the Sale.
9. Subject to paragraph 8 above and the terms of the Inventory Disposition Agreement, the Merchant and/or the Consultant may sell furniture, fixtures and equipment ("FF&E") owned by the Merchant and located in the Stores during the Sale. The Merchant or the Consultant, as the case may be, may advertise the sale of FF&E consistent with the guidelines provided in paragraphs 4 and 6 hereof. Additionally, the purchasers of any FF&E sold during the Sale shall only be permitted to remove the FF&E either through the back shipping areas or through other areas after store business hours or through the front door of the Store during Store business hours if the FF&E can fit in a shopping bag.
10. The Merchant and/or the Consultant shall not make any alterations to interior or exterior Store lighting. No property of any landlord of a Store shall be removed or sold during the Sale. The hanging of exterior banners or other signage shall not constitute an alteration to a Store.
11. The Consultant and its representatives shall have the same access rights to the Stores as the Merchant under the terms of the applicable leases, and the landlords shall have the rights of access to the Stores during the Sale provided for in the applicable leases (subject, for greater certainty, to the stay of proceedings set out in the Initial Order of the Court, dated August 6, 2014).
12. The Merchant and/or the Consultant shall not conduct any auctions of Merchandise or FF&E at any of the Stores.
13. Except with respect to FF&E that can fit in a shopping bag, removal of other furniture, movable fixtures and equipment shall take place before or after the regular hours of the Store or shopping center and through service of the exits and corridors designated by the landlord. The Merchant and/or the Consultant may abandon any of the FF&E not sold in the Sale at the Store premises at the conclusion of the Sale; provided however the

landlord for the subject Store shall have the right to remove and dispose of such property without liability to the Merchant and the Consultant.

14. The Consultant shall designate a party to be contacted by landlords should an issue arise concerning the conduct of the Sale. The initial contact person for Consultant shall be Ian Fredericks who may be reached by phone at (847) 418-2075 or email at ifredericks@hilcoglobal.com. If the parties are unable to resolve the dispute between themselves, the landlord, the Merchant or the Consultant shall have the right to schedule a "status hearing" before the Court on no less than five (5) days written notice to the other party or parties.
15. Nothing herein or in the Inventory Disposition Agreement is, or shall be deemed to be, a consent by any landlord to the sale, assignment or transfer of any leases or grant to the landlord any greater rights than already exist under the terms of any applicable leases.

Appendix “B”

SALE AND INVESTOR SOLICITATION PROCESS ("SISP")

Overview

1. Benix & Co. Inc., Bombay & Co. Inc. and Bowring & Co. Inc. (collectively the "**Applicants**") are three (3) separate legal entities:
 - (i) Bombay & Co. Ltd., which currently operates fifty-five (55) stores across Canada and offers large furniture, small occasional furniture, wall décor and home accessories;
 - (ii) Bowring & Co. Ltd., which currently operates fifty-seven (57) stores across Canada and offers giftware, fashion tableware, and decorative home accessories; and
 - (iii) Benix & Co. Ltd., which closed its final store in June, 2014, and prior to closing operated a chain of stores specializing in housewares, with a focus on cooking, home entertaining and giftware.
2. As a result of sustained losses and insufficient liquidity to finance operations, the Applicants, on August 6, 2014, obtained an order (the "**Initial Order**") for protection, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c.C-36, as amended ("**CCAA**"). Richter Advisory Group Inc. was appointed as the monitor of the Applicants (the "**Monitor**").
3. The Applicants and the Monitor believe that prospective buyers and/or investors will be interested in purchasing or investing in the Applicants' business for the following reasons:
 - (i) the Applicants have developed a restructuring plan, which includes the closure of underperforming store locations, significant cost cutting measures including headcount reductions and rent reductions, and an overall focus on profitable stores;
 - (ii) the Applicants have strong, established brand names, which are considered to be a staple in the home furniture and housewares industry in Canada;
 - (iii) the Applicants have a widespread national retail presence, including desirable store locations across Canada;
 - (iv) the Applicants have well established distribution channels; and
 - (v) the Applicants have an experienced management team capable of delivering on the Applicants' restructuring plan.
4. The Applicants, with the assistance of the Monitor, will be conducting a liquidation process concurrent with the SISP. The purpose of the concurrent process will be to effect the closure of those stores that are cash negative stores or otherwise have a net negative effect on the Applicants' overall business. References made to the "Applicants business" in

this SISP refer only to those stores and operations that the Applicants, in consultation with the Monitor, intend to continue operating and exclude those stores that will be closed.

Objectives

5. The Objective of the SISP are to:

- (i) solicit offers from the market from those parties that are interested in refinancing the Applicants' business in an amount at least sufficient to repay all indebtedness owing to secured creditors of the Applicants and to provide sufficient working capital for the Applicants' ongoing business (the "**Investment Proposal**");
- (ii) solicit offers from the market from those parties that are interested in purchasing the Applicants' business or a portion thereof (the "**Sale Proposal**");
- (iii) ensure that the SISP is fair and effective for all parties, and is undertaken in a cost-effective manner;
- (iv) preserve the continuity of the Applicants' operations during the SISP; and
- (v) maximize value for the Applicants' stakeholders.

(collectively the "**SISP Objectives**")

Role of the Monitor

6. The Monitor, will be responsible for managing all aspects of the SISP, while consulting with the Applicants' management ("**Management**") on how best to achieve the SISP Objectives. The Monitor's primary responsibilities will include:

- (i) preparing a list of potential buyers and investors;
- (ii) drafting of an initial offering summary ("**Teaser Letter**");
- (iii) assisting legal counsel with the preparation of a confidentiality agreement ("**CA**");
- (iv) populating and managing an electronic data room ("**Data Room**");
- (v) assisting legal counsel with the preparation of a template offer;
- (vi) managing all communications with prospective buyers or investors and negotiating transactional documentation; and
- (vii) consulting with the Canadian Imperial Bank of Commerce, in its capacity as "**DIP Lender**", throughout the process as the Monitor determines is appropriate.

7. The Monitor, in consultation with Management, will have responsibility for managing all communications with prospective purchasers prior to and after receipt of binding offers. These communications include, but are not limited to, facilitating the delivery of all

communications, contacting prospective purchasers/investors and providing them with the Teaser Letter, coordinating the execution of CAs, soliciting and tracking all expressions of interest, facilitating any requests for tours of the Applicants' facilities, managing the process of answering all inquiries from purchasers/investors, coordinating any presentations that may be requested by purchasers/investors, soliciting and tracking all offers and reviewing and negotiating transactional documentation.

Role of Management

8. Management shall assist the Monitor with the preparation of all of the material listed above and generally cooperate with the Monitor with all actions necessary to achieve the SISP Objectives.
9. Management has advised the Monitor that it, or a related party or parties, may submit a bid for the purchase of the Applicants' business. Any such party or parties who is/are interested to do so must advise the Monitor in writing of such intention on or before August 29, 2014 (the "**Participation Notice**"). Upon receipt of a Participation Notice, Management will be excluded from any participation in the SISP that might create an unfair advantage or jeopardize the integrity of the SISP. For greater certainty any such party or parties delivering a Participation Notice will be subject to the SISP procedures as an Interested Party.

Identification of Potential Interested Parties

10. The Monitor, after consultation with Management, will develop a list of strategic and financial parties who may be interested in investing in the Applicants and/or acquiring the Applicants' business (the "**Potential Bidders**").
11. The Applicants will obtain a Court order approving, *inter alia*, the SISP on or before August 22, 2014 (the "**SISP Approval Order**").

Sale and Investor Solicitation Process

12. The Monitor will, on or before August 27, 2014, distribute the Teaser Letter to all Potential Bidders and any other party who requests same.
13. Potential Bidders who wish to commence due diligence will be required to sign a CA, in a form acceptable to the Monitor.
14. Upon execution of a CA, the Monitor will provide each Potential Bidder (now an "**Interested Party**") with:
 - (i) a copy of the SISP; and
 - (ii) access to the Data Room, where information in connection with the Applicants' business will be available.

(collectively the "**Data Room Information**")

15. The Monitor will work with Management to complete the population of the Data Room with the Data Room Information on or before August 29, 2014. The Applicants, in consultation with the Monitor, reserve the right to limit any Interested Party's access to the Data Room Information where, in the Applicants' discretion, to do so could negatively impact the Applicants' business operations.
16. The Monitor will provide each Interested Party with the form of template offer ("**Template Offer**") on or before August 29, 2014. Each Interested Party who wishes to advance an Investment Proposal may do so in any form provided it meets the requirements set out in Section 18(ii) hereof.
17. Requests from Interested Parties for additional information will be made to the Monitor. Subject to Section 9 of the SISP, the Monitor, where necessary, will coordinate its responses to requests for additional information with Management.
18. Each Interested Party will be required to submit an irrevocable offer to the Monitor on or before 12:00 noon (EST) on September 26, 2014 (the "**Offer Deadline**"), which offer, shall set out to the extent applicable, among other things:
 - (i) in the case of a Sale Proposal, an executed offer containing the following terms and information: (i) the purchase price (including the liabilities to be assumed by the Interested Party); (ii) any of the Applicants' assets and liabilities to be excluded; (iii) the structure and financing of the transaction (including, but not limited to, the sources of financing for the purchase price, evidence of the availability of such financing and the steps necessary and associated timing to obtain the financing and consummate the transaction and any related contingencies, as applicable); (iv) the treatment of employees of the Applicants; and; (v) any regulatory approvals required to close the transaction and the anticipated time frame and any anticipated impediments for obtaining such approvals; (vi) an allocation of the purchase price between the Applicants' assets; and a blackline of the Template Offer to the offer; or
 - (ii) in the case of an Investment Proposal, an executed Investment Proposal containing the following terms and information: (i) the aggregate amount of the equity and debt financing with an allocation between each Applicant (including, the sources of such financing, evidence of the availability of such financing and the steps necessary and associated timing to obtain the financing and consummate the transaction and any related contingencies, as applicable); (ii) the underlying assumptions regarding the anticipated debt levels, debt service fees, interest and amortization; (iii) any amount to be allocated to the Applicants' unsecured creditors and employees; (iv) confirmation that any anticipated corporate, shareholder or internal approvals required to close the transaction have been obtained; (v) any anticipated regulatory approvals required to close the transaction and the anticipated time frame and any anticipated impediments for obtaining such approvals; and
 - (iii) such other information reasonably requested by the Monitor.

Offer Recommendation, Acceptance and Negotiation Process

19. The Monitor, in consultation with the Applicants, may seek clarifications with respect to the offers and may negotiate any and all aspects of the offers or bids at any time prior to the completion of the Auction or No Auction process. The Monitor is not obligated to consult the Applicants in circumstances where a Participation Notice pursuant to paragraph 9 hereof has been delivered.
20. All offers must be capable of acceptance and must be irrevocable until 11:59 pm EST on November 6, 2014. All Offers must be accompanied by a deposit in the form of a wire transfer (to a bank account specified by the Monitor), or such other form of immediately available funds acceptable to the Monitor, payable to the order of the Monitor, in trust, in an amount equal to 10% of the total financing or purchase consideration to be held and dealt with in accordance with the terms of the offer (the "**Deposits**").
21. Deposits received from Interested Parties shall be held in an interest bearing account. Deposits, other than the Deposit of the Successful Bidder, shall be returned to such Interested Parties two business days after the selection of the Successful Bidder as set out in paragraph 27(v) or paragraph 30. The Deposit received from the Successful Bidder shall be applied to the purchase price of such transaction at closing or otherwise dealt with in accordance with the definitive documentation entered into with the Applicants.

Auction Trigger

22. Immediately after the Offer Deadline, the Monitor shall, where necessary, take such steps as are required to clarify values and information set out in any offer and/or negotiate the terms of any offer. Once all offers are clarified the Monitor shall summarize the values set out in each offer and determine which offer provides the greatest value to the Applicants' stakeholders. If such an offer is an Investment Proposal, the Applicants and/or the Monitor may return to Court for directions as appropriate. If such an offer is a Sale Proposal for the purposes of this Auction section the Interested Party that the Monitor has determined submitted the greatest value bid shall be referred to as the "**Threshold Bidder**". The determination of greatest value bid shall be made by the Monitor considering the following factors (i) the amount and nature of the consideration; (ii) the proposed assumption of any liabilities, if any; (iii) the ability of the bidder to close the transaction; (iv) the impact of the contemplated transaction on any actual or potential litigation; (v) any purchase price adjustments; (vi) the proposed closing date and the likelihood, extent and impact of any potential delays in closing; (vii) the net economic effect of any changes from the Template Offer; (viii) the net after-tax consideration to be received by the Applicants; and (ix) such other considerations as the Monitor deems relevant in their reasonable business judgment (collectively the "**Bid Assessment Criteria**").
23. The Monitor shall identify any other offers that are within CDN \$5 million of the Threshold Bidder's offer. For the purposes of this Auction section any Interested Party that submits an offer that is within CDN \$5 million of the Threshold Bidder's offer and satisfied the Bid Assessment Criteria shall be referred to as a "**Qualified Bidder**".

24. In the event the Monitor identifies Qualified Bidders the Monitor shall send written notice to any Qualified Bidders, on or before noon on October 3, 2014, advising the Qualified Bidders that they are Qualified Bidders (the "**Auction Notice**"). The Auction Notice shall also include:
- (i) the date, time and location of the proposed auction;
 - (ii) the terms of the Opening Bid (as defined below);
 - (iii) the minimum first bid required in order to exceed the Threshold Bidder's offer; and
 - (iv) the procedures pursuant to which the auction will be conducted.
25. Qualified Bidders must notify the Monitor, in writing, by no later than noon on October 6, 2014, of their intention to participate in the auction (the "**Auction Notice Response**"). Where the Monitor does not receive an Auction Notice Response it shall be deemed that the applicable Interested Parties declined to participate.
26. In circumstances where no Qualified Bidder, other than the Threshold Bidder elects to participate in the auction process the Applicants and the Monitor shall proceed to consummate the sale transaction in accordance with the "No Auction" section of the SISP. If the only Qualified Bidder electing to participate in the Auction process is the Threshold Bidder, the Threshold Bidder shall be deemed to be the Successful Bidder, subject to court approval.
27. In circumstances where a Qualified Bidder elects to participate an auction shall be conducted on or before October 8, 2014, according to the following procedures:
- (i) Participation at the Auction. Only the Threshold Bidder and Qualified Bidders (collectively the "**Auction Participants**") are eligible to participate at the auction. Only the authorized representatives (including counsel and other advisors) of each Auction Participant shall be permitted to attend the auction. The bidding shall begin with the Threshold Bidder's offer (the "**Opening Bid**") and each subsequent round of bidding shall continue in minimum increments of at least the Minimum Overbid Increment (as defined below).
 - (ii) Monitor Shall Conduct the Auction. The Monitor shall direct and preside over the auction. At the start of the auction the Monitor shall confirm the terms of the Opening Bid to all Auction Participants. All bids made after the Opening Bid shall be Overbids (as defined below), and shall be made and received on an open basis, and all material terms of each Overbid shall be fully disclosed to all other Auction Participants. The Monitor shall maintain a transcript of the Opening Bid and all Overbids made and announced at the auction.
 - (iii) Terms of Overbids. An "Overbid" is any bid made at the auction subsequent to the announcement of the Opening Bid. To submit an Overbid, in any round of the auction, an Auction Participant must comply with the following requirements:

a. Minimum Overbid Increment

Any Overbid shall be made in increments of at least \$150,000.

b. Announcing Overbids

At the end of each round of bidding, the Monitor shall announce the material terms of the then highest and/or best Overbid, the basis for the calculating the total consideration offered in such Overbid, and the resulting benefit to the Applicants based on, among other things, the Bid Assessment Criteria.

c. Failure to Bid

If at the end of any round of bidding an Auction Participant fails to submit an Overbid, then such Auction Participant shall not be entitled to continue to participate in the next round of the Auction.

- (iv) Additional Procedures. The Monitor may, with consultation of the Auction Participants and its advisors, adopt rules for the auction at or prior to the auction that will better promote the goals of the auction and that are not inconsistent with any of the provisions of these bidding procedures, provided that no such rules may change the requirement that all Overbids shall be made and received in one room, within a defined period, on an open basis, and all other Auction Participants shall be entitled to be present for all bidding with the understanding that the true identity of each Auction Participant submitting a bid shall be fully disclosed to all other Auction Participants and that all material terms of the then highest and/or best Overbid at the end of each round of bidding will be fully disclosed to all other Auction Participants.

- (v) Closing the Auction. Upon conclusion of the bidding, the auction shall be closed, and the Monitor shall immediately review the final Overbid of each Auction Participant on the basis of the Bid Assessment Criteria and notify the Auction Participants as to the winner of the auction process subject to Court Approval (the "**Successful Bidder**" and the Successful Bid being the "**Successful Bid**").

The bidders shall bid in inverse order according to the ranking of their offers or previous bids, as determined by the Monitor; the terms and conditions of all bids shall be open to all other Qualified Bidders at such time as they are made; and the Auction process shall continue until there are only two Qualified Bidders, each of which has submitted its final bid or the lowest ranking of which does not wish to make a further bid.

28. The Applicants shall complete the sale transaction or transactions with the Successful Bidder following approval of the Successful Bid by the Court. The Applicants will be deemed to have accepted the Successful Bid only when this bid is approved by the Court.
29. The Applicants shall file a motion with the Court to approve the Successful Bid by no later than October 15, 2014 (the "**Auction Approval Hearing**"). The Applicants and the

Successful Bidder will make best efforts to have the Auction Approval Hearing scheduled prior to October 31, 2014.

No Auction

30. In circumstances where no auction is required and Management has not delivered a Participation Notice, the Monitor will summarize the terms of all offers received from Interested Parties and provide its recommendation to Management with respect to selecting the offer to consummate the transactions (the "**Accepted Offer**"). If, under these circumstances, Management selects an offer, the Monitor shall promptly notify the Successful Bidder that its offer has been accepted (the "**Acceptance Notice**"), subject to the terms of the SISP and subject to the approval by the *Ontario Superior Court of Justice* (Commercial List) (the "**Court**"). The Applicants shall file a motion with the Court for the approval of the Accepted Offer on or before October 8, 2014. Management shall however, have the discretion to accept the Monitor's recommendation, select an alternative to the Monitor's suggestion, or to refuse all offers received and if Management chooses to do so, the Applicants shall return to Court for directions regarding same.
31. Subject to paragraph 26 in circumstances where no auction is required and where Management has submitted a Participation Notice the Monitor shall have the sole discretion to accept an offer or to refuse all offers received. If, under these circumstances, the Monitor selects an offer, the Monitor shall promptly provide the Successful Bidder with the Acceptance Notice, which shall be subject to the terms of the SISP and subject to the Court's approval. The Monitor shall file a motion with the Court for the approval of the Accepted Offer on or before October 8, 2014.
32. If the Applicants in the first instance or the Monitor in the second instance determine that no offer should be accepted, the SISP process shall be terminated and the Applicants shall seek direction from the Court.

Court Approval and Closing

33. The Accepted Offer or the Successful Bid shall be subject to approval by the DIP Lender if the cash proceeds payable on the closing of the Accepted Offer or Successful Bid are not sufficient to repay all amounts owing to the DIP Lender in full, and shall be subject only to the conditions contained in the Accepted Offer or Successful Bid.
34. Any Accepted Offer or Successful Bid shall be conditional upon the Applicants obtaining Court approval of the Accepted Offer or Successful Bid.
35. Following the selection of the Accepted Offer or the Successful Bid and after receipt of the foregoing approvals, the Monitor shall take such steps as may be necessary to facilitate a closing of each transaction by no later than November 6, 2014.

Other

36. The Monitor, after consulting with the Applicants, may amend the SISP, including as it relates to any time limits as may be necessary to achieve the above objectives, or as may be amended by further Order of the Court.
37. Neither the Applicants nor the Monitor shall be liable for any claim for a brokerage commission, finder's fee or like payment in respect of the consummation of any of the transactions contemplated under the SISP Procedures arising out of any agreement or arrangement entered into by the party that submitted the Accepted Offer or Successful Bid. Any such claim shall be the sole liability of the party that submitted such Accepted Offer or Successful Bid.

Appendix “C”

Bombay & Co. Inc., Bowring & Co. Inc. and Benix & Co. Inc.
Consolidated Cash Flow for the Period August 2, 2014 - November 29, 2014

(\$000's)	Aug 09	Aug 16	Aug 23	Aug 30	Sep 06	Sep 13	Sep 20	Sep 27	Oct 04	Oct 11	Oct 18	Oct 25	Nov 01	Nov 08	Nov 15	Nov 22	Nov 29	Total
Gross Receipts	\$ 1,982	\$ 1,954	\$ 2,673	\$ 2,879	\$ 2,823	\$ 2,674	\$ 2,627	\$ 2,688	\$ 2,713	\$ 2,732	\$ 2,680	\$ 2,706	\$ 3,372	\$ 3,583	\$ 3,301	\$ 2,988	\$ 4,086	\$ 48,462
Disbursements																		
Purchases	876	525	1,068	803	746	1,308	1,354	1,414	1,341	2,460	1,572	1,079	788	945	806	942	1,091	19,120
Rent	1,800	-	-	-	2,500	-	-	-	2,286	-	-	-	-	1,998	-	-	600	9,183
Store expenses & Other	789	304	427	548	429	402	384	276	430	324	450	322	322	537	517	211	413	7,086
Payroll	529	480	510	438	438	438	438	532	432	432	432	532	510	510	525	590	592	8,356
Sales Tax	-	-	-	-	760	-	-	-	380	-	-	-	540	-	-	-	-	1,680
Interest	117	-	-	-	138	-	-	-	144	-	-	-	-	159	-	-	-	557
Utilities	40	31	31	29	29	29	29	28	28	28	28	28	29	29	29	29	32	506
DIP Fee	175	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	175
Professional Fees	237	124	124	209	90	90	136	79	113	68	51	62	40	45	34	45	11	1,559
	4,563	1,465	2,161	2,027	5,130	2,267	2,341	2,329	5,153	3,311	2,532	2,023	2,229	4,224	1,910	1,817	2,740	49,223
Net Cash Flow	(2,580)	489	512	852	(2,307)	407	286	360	(2,439)	(580)	147	683	1,143	(641)	1,390	1,171	1,346	239
Opening Bank Loan	\$14,767	17,347	16,858	16,346	15,494	17,801	17,393	17,107	16,747	19,187	19,767	19,619	18,936	17,794	18,435	17,045	15,874	14,767
Closing Bank Loan	\$17,347	\$16,858	\$16,346	\$15,494	\$17,801	\$17,393	\$17,107	\$16,747	\$19,187	\$19,767	\$19,619	\$18,936	\$17,794	\$18,435	\$17,045	\$15,874	\$14,528	\$14,528

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT INVOLVING BOMBAY & CO. INC. , BOWRING & CO.
INC. AND BENIX & CO. INC.

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

PROCEEDING COMMENCED AT
TORONTO

**FIRST REPORT OF RICHTER ADVISORY
GROUP INC., IN ITS CAPACITY AS MONITOR OF
BOMBAY & CO. INC., BOWRING & CO. INC. AND
BENIX & CO. INC.**

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