

Court File No. CV-17-11864-00CL

STRELLMAX LTD.

REPORT OF THE PROPOSED RECEIVER

JULY 5, 2017

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

BETWEEN:

STRELLSON AG

Applicant

- and -

STRELLMAX LTD.

Respondent

**APPLICATION UNDER section 243 of the *Bankruptcy and Insolvency Act*,
R.S.C. 1985, c. B-3, as amended, and under section 101 of the
Courts of Justice Act, R.S.O. 1990, c. C.43**

**REPORT OF RICHTER ADVISORY GROUP INC.
IN ITS CAPACITY AS PROPOSED RECEIVER OF THE ASSETS, UNDERTAKINGS AND PROPERTIES
OF STRELLMAX LTD.**

JULY 5, 2017

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I. INTRODUCTION

1. An application returnable July 7, 2017 was filed with the Ontario Superior Court of Justice (Commercial List) (the "**Court**") by Strellson AG ("**Strellson**" and in its capacity as holder of the assigned TD Debt and Security (as hereinafter defined), the "**Creditor**") for an order (the "**Receivership Order**"), among other things: (a) appointing Richter Advisory Group Inc. ("**Richter**") as receiver to exercise the powers and duties set out in the Receivership Order, pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), and section 101 of the *Courts of Justice Act* R.S.O. 1990 c. C.43, as amended (in such capacity, the "**Receiver**"), without security, of all the assets, properties and undertakings (the "**Property**") of Strellmax Ltd. ("**Strellmax**" or the "**Company**"); and (b) approving the Liquidation Plan and the Sale Guidelines (each as hereinafter defined). The Creditor is also seeking an order (the "**Approval and Vesting Order**") approving a proposed sale of certain Property of the Company, which is not subject to the Liquidation Plan, on the terms of an agreement of purchase and sale (the "**APA**") between Strellson (in such capacity, the "**Purchaser**"), Strellson Canada Ltd. (the "**Buyer**"), Strellmax and the Receiver, and authorizing and directing the Receiver to execute the APA and to take the necessary steps to complete the transaction contemplated therein (the "**Proposed Transaction**").
2. Richter was previously retained by Strellson to assist in exploring strategic alternatives in which Strellson could provide support to Strellmax in light of the Company's liquidity situation, working directly with the Company on financial forecasting, as appropriate, and later consulting with Strellson regarding the Proposed Transaction.
3. Richter is a licensed insolvency trustee within the meaning of section 2 of the BIA and has consented to act as Receiver in these proceedings. We are writing this report in Richter's capacity as proposed receiver of the Property of Strellmax (in such capacity, the "**Proposed Receiver**").

II. PURPOSE OF REPORT

4. The purpose of this report (the "**Report**") is to:
 - a) Provide this Court with:
 - (i) certain background information concerning Strellmax, including the Company's financial performance, debt structure and financial position; and
 - (ii) information regarding the proposed Administration Charge and the D&O Charge (each as hereinafter defined).

- b) Summarize the terms of the APA, for the sale of certain Strellmax assets to be acquired by the Purchaser for the go-forward wholesale business of the Strellson brand, subject to the approval of this Court;
- c) Outline the key aspects of the Company's liquidation plan with respect to certain assets related to its retail business (the "**Liquidation Plan**");
- d) Summarize the mandate and powers that are being sought for the Receiver under the Receivership Order; and
- e) Recommend that, in the event this Court appoints Richter as Receiver, the Court issue the Receivership Order and the Approval and Vesting Order:
 - (i) Approving the Proposed Transaction, and authorizing and directing the Receiver to execute the APA and to take the necessary steps to complete the Proposed Transaction;
 - (ii) Approving the Liquidation Plan and the Sale Guidelines (as hereinafter defined); and
 - (iii) Approving the terms of the Administration Charge and the D&O Charge, and the proposed priority rankings of such charges.

III. QUALIFICATIONS

- 5. In preparing this Report, the Proposed Receiver has relied upon certain unaudited, draft, and/or internal financial information prepared by the Company's representatives, the Company's books and records, and discussions with the Company's representatives, its legal counsel and the Creditor (collectively, the "**Information**").
- 6. In accordance with industry practice, except as described in this Report:
 - a) Richter has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook; and
 - b) Richter has not conducted an examination or review of any financial forecast and projections in a manner that would comply with the procedures described in the Chartered Professional Accountant Canada Handbook.
- 7. Since future-oriented information is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and variations may be material. Accordingly, Richter expresses no assurance as to whether projections will be achieved. Richter

expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by Richter in preparing this report.

8. Unless otherwise noted, all monetary amounts contained in this Report are expressed in Canadian dollars.

IV. BACKGROUND

9. Reference is made to the Affidavit of Marcel Braun, sworn June 30, 2017 (the "**Braun Affidavit**") filed in support of the Creditor's application for the Receivership Order and the Approval and Vesting Order, contained in the Applicant's Application Record dated June 30, 2017. While this Report summarizes some of the information set out in the Braun Affidavit for context, readers are directed to the Braun Affidavit for a more detailed explanation of the grounds for the Creditor's application. Further background information about Strellmax, including the causes of its financial difficulties and insolvency, is provided in the Braun Affidavit.

COMPANY OVERVIEW

10. Strellmax operates as a wholesaler and retailer of 'Strellson' brand menswear in North America. The Company sells in Canada through its wholesale channel, predominantly to large retailers and independent menswear stores, and through its retail channel comprising five (5) standalone retail locations. Strellmax also operates a store-in-store concession (the "**Concession Location**") inside the Hudson's Bay Company (Yorkdale Mall location). The United States ("**US**") market is served through its Canadian wholesale channel to large US department store retailers.
11. The Company distributes under the 'Strellson' brand, pursuant to a licence agreement with Strellson, as licensor, dated June 26, 2012, as amended from time to time (the "**Licence Agreement**"), and pays royalty fees to Strellson in connection with the Licence Agreement. The Proposed Receiver understands that 'Strellson' brand goods are either purchased directly from Strellson (representing approximately 60% of total purchases) pursuant to a distribution agreement (the "**Distribution Agreement**") dated September 22, 1998, as amended and replaced from time to time, or purchased from overseas third party manufacturers.
12. As outlined in the Braun Affidavit, the Strellmax head office and distribution centre is located at 3725 Chesswood Drive, Toronto, Ontario, Canada (the "**Headquarters**"). As at June 30, 2017, Strellmax employed approximately 45 individuals across Canada, comprising 29 employees at its Concession Location and five (5) retail locations in Ontario and British Columbia ("**B.C.**"), and 16 employees at the Headquarters. The Company's workforce is not unionized and Strellmax does not maintain a pension plan.

13. Strellmax was incorporated under the *Business Corporations Act* (Ontario) in 1990. Strellmax is indirectly 100% owned by its President, Mark Altow (“**Altow**”), through related entities which Altow controls, including Adamray Investments Inc. (“**Adamray**”).
14. As detailed below, the Company had outstanding unsecured indebtedness owing to Strellson for royalty fees and merchandise deliveries, in the aggregate amount of approximately \$3.6 million as at June 30, 2017.

CAUSES OF FINANCIAL DIFFICULTIES

15. The Proposed Receiver understands that, since 1997, Strellmax has operated a wholesale “Strellson” business and that it opened a flagship retail location in 2012 on Bloor Street in Toronto. From 2014 through 2016, the Company expanded its retail footprint, opening 4 additional standalone stores across Canada.
16. The Company’s current standalone retail locations are as follows:
 - a) Bayview Village – Toronto, Ontario;
 - b) Bloor Street West – Toronto, Ontario;
 - c) Yorkdale Mall – Toronto, Ontario;
 - d) Rideau Centre – Ottawa, Ontario; and
 - e) 745 Thurlow – Vancouver, B.C.
17. The Proposed Receiver understands that, in order to assist in funding the capital expenditures required to support the Company’s retail expansion, the Company relied upon its existing cash flows and the TD Facility along with a related party loan from Adamray, which provided a secured Shareholder Loan (as hereinafter defined) to Strellmax in the amount of \$1,150,000.
18. As outlined in the Braun Affidavit, the Company has been operating with limited liquidity on the TD Facility for several months, and Strellson has provided numerous accommodations to Strellmax by allowing the trade payables owing to it for merchandise deliveries and royalties earned to go into significant arrears (in the amount of approximately \$1.4 million of the \$3.6 million total outstanding), and further increasing Strellson’s exposure by continuing to ship new merchandise on credit notwithstanding certain defaults on the terms of the Licence Agreement and the Distribution Agreement, and continuing to fund certain marketing costs during that same time.
19. As detailed in the Braun Affidavit, the Company and Strellson have been in negotiations since January 2017 to develop a strategy to support the Company’s liquidity needs and to informally restructure the business.

20. The Proposed Receiver understands that as the parties worked through these negotiations, the Company's sales continued to underperform, and as further detailed below, its financial position continued to deteriorate.
21. The Proposed Receiver understands that the Company's retail business was experiencing operating losses and that Strellmax had engaged a real estate consultant to assist in negotiating rent concessions from the landlords of the most unprofitable retail locations in order to improve store profitability. Despite meetings and discussions with these landlords, to date, the Company has been unsuccessful in obtaining rent concessions or other lease accommodations.
22. The Proposed Receiver understands that in February 2017, in light of the continued deterioration in the Company's financial position (as further detailed later in this Report), Strellmax engaged Pernica Advisory Services Inc. ("**Pernica**") as financial advisor to assist in evaluating its restructuring alternatives and continuing dialogue with Strellson.
23. As outlined in the Braun Affidavit, in light of the Company's continued poor financial performance and other defaults, Strellson is in the process of terminating the Licence Agreement and the Distribution Agreement.
24. As further detailed below, Strellson took an assignment of the TD Debt and Security on June 30, 2017. As outlined in the Braun Affidavit, in view of certain defaults thereunder, the Creditor demanded payment of all obligations owing to it by the Company by way of letter dated June 30, 2017 (the "**Demand Letter**"), and on that same day also issued its Notice of Intention to Enforce Security pursuant to section 244(1) of the BIA to the Company. Strellmax shortly thereafter consented in writing to the transfer of the TD Debt and Security, and the immediate enforcement by the Creditor of its security.

V. FINANCIAL POSITION

HISTORICAL OPERATING RESULTS

25. Set out below is a summary of the Company's operating loss according to its most recent income statement for the year-to-date ("YTD") seven (7) month period ended May 31, 2017:

Strellmax Ltd.	
Income Statement	
(\$000's)	7 Months Ended May 2017
Sales	\$ 6,570
Cost of goods sold	(3,962)
Other cost of sales	(152)
Gross margin	2,456
Personnel	(1,538)
Occupancy	(1,088)
Selling, marketing, and administrative	(765)
Interest and financing	(358)
Strellson reimbursement of costs	332
Operating expenses	(3,417)
Operating Loss	\$ (961)

26. The fiscal 2017 YTD income statement above reflects a significant operating loss in the amount of approximately \$960,000, prior to approximately \$500,000 in non-recurring restructuring costs, depreciation, and other non-cash expenses. The Proposed Receiver understands that the operating loss is attributed to:
- a) softer than anticipated retail sales coupled with lower than forecast gross margin generated, which have been insufficient to cover the store-level personnel and occupancy costs; and
 - b) despite certain cost reduction initiatives and reimbursement of costs by Strellson, the Company has been unable to sufficiently reduce its operating costs to offset the sales shortfall in both the retail and wholesale channels.
27. The Proposed Receiver understands that the Company experienced an operating loss in fiscal 2016 in excess of \$1 million, and projects operating losses for fiscal 2017 through 2019, absent any funding of costs by Strellson and/or additional accommodations from Strellson.

28. Set out below is a summary of the Company's unaudited balance sheet as at May 31, 2017:

Strellmax Ltd.	
Balance Sheet	
(\$000's)	As at May 2017
<u>Assets</u>	
Cash	\$ 407
Accounts receivable	1,580
Inventory	2,132
Prepays & other	61
Current Assets	4,180
Fixed assets	3,100
Total Assets	\$ 7,280
<u>Liabilities & Shareholder's Equity</u>	
Revolving Credit Facility	2,740
Accounts payable & accrued liabilities	5,119
Related party advances & other	20
Current Liabilities	7,879
Deferred rent & other occupancy-related	705
Loans from related parties	1,159
Term Loan	869
Long-term Liabilities	2,733
Deficit & Shareholder's Equity	(3,332)
Total Liabilities & Shareholder's Equity	\$ 7,280

29. The Company's internal balance sheet as at May 31, 2017 reflects that:

- a) the book value of current liabilities (approximately \$7.9 million) significantly exceeds the book value of current assets (approximately \$4.2 million). Even if the Company's outstanding secured indebtedness to the Creditor were excluded, Strellmax would still have a negative working capital position of approximately \$1 million;
- b) the Company had an accumulated retained earnings deficit of approximately \$3.3 million; and
- c) the Company is insolvent on a balance sheet basis.

ABILITY TO CONTINUE AS A GOING CONCERN

30. The Proposed Receiver understands that the Company's ongoing financial results continue to be a concern. The Proposed Receiver is of the view that Strellmax will be challenged to continue to operate as a going concern due to the following:
- a) the Company's projections indicate that over the next 24 months, nearly all of the retail locations are forecast to suffer significant operating losses absent continued support from Strellson, and that if it continues to operate at status quo, the wholesale business is also forecast to suffer significant operating losses;
 - b) the Proposed Receiver understands that the Creditor is not prepared to advance further funds to the Company, and is anticipated to suffer a shortfall on its security position under any realistic realization scenario; and
 - c) as noted above, the Proposed Receiver understands that Strellmax is in default of certain of the terms of the Licence Agreement and the Distribution Agreement, and that Strellson is unwilling to continue providing merchandise to the Company, without which it would be unable to operate, even if additional financing could be secured subordinate to the Creditor.

VI. CREDITORS

ASSIGNMENT OF TD BANK DEBT TO STRELLSON AG

31. The Toronto-Dominion Bank ("TD") provided certain credit facilities to Strellmax commencing in 2012, including most recently a \$2.2 million (subsequently increased to \$2.7 million) revolving asset-based facility, and a \$1.2 million term facility to Strellmax pursuant to a credit agreement dated June 6, 2016, as amended by amending agreements dated June 30, 2016 and December 6, 2016, respectively (the "**TD Facility**"). As security for its advances under the TD Facility and prior credit facilities, TD was granted a first-ranking security interest in the Property (together with the TD Facility, the "**TD Debt and Security**").
32. As detailed in the Braun Affidavit, TD assigned certain of its rights and obligations under the TD Debt and Security and associated security held by TD Bank to Strellson pursuant to an assignment agreement dated June 30, 2017 (the "**Assignment Agreement**"). A copy of the Assignment Agreement is attached as Exhibit "C" to the Braun Affidavit.
33. The Proposed Receiver understands that, per the Demand Letter, the amount outstanding under the TD Facility on June 30, 2017 was approximately \$3.7 million.

34. The Proposed Receiver understands that, in order to continue the use of the Company's existing cash management arrangements with TD, Strellson has provided cash collateral in the amount of \$71,500 to secure the corporate credit card facility.

SECURITY OPINION

35. As set out above, TD assigned certain of its rights and obligations under the TD Facility and certain of the associated security to Strellson pursuant to the Assignment Agreement. The Proposed Receiver has received an opinion on Strellson's security from its independent legal counsel, WeirFoulds LLP ("**WeirFoulds**") dated July 4, 2017. The security opinion provides that, subject to the customary qualifications and assumptions, the security interest granted to Strellson pursuant to the assigned security over certain of the personal property, assets and undertakings of Strellmax located in Ontario is valid and enforceable as against a trustee in bankruptcy of Strellmax.
36. As part of the Assignment Agreement, a contractual Postponement and Assignment of Creditor's Claim and Postponement of Security granted by Adamray in favour of TD was assigned, among other things, to Strellson. Searches conducted by WeirFoulds under the Ontario PPSA (which are summarized in the security opinion) confirm that the registrations originally in favour of TD against all classes of collateral, excluding consumer goods, have been amended to account for the assignment to Strellson and that the registrations were either registered prior in time to all other registrants or are subordinate to the registrations in favour of TD.
37. Only one Ontario PPSA registration, in favour of National Leasing Inc. ("**National**") in respect of certain leased computer software, appeared to qualify as a potential purchase money security interest in the collateral described therein capable of having priority over TD's registrations assigned to Strellson.
38. A search conducted under the B.C. PPSA confirmed that Strellson has also registered its security interest against all of Strellmax's present and after-acquired personal property. The Strellson registration is the only registration that appears in the B.C. PPSA search.

OTHER SECURED CREDITORS

39. The Proposed Receiver understands that Adamray provided a shareholder loan to Strellmax in the amount of approximately \$1,150,000 (the "**Shareholder Loan**"), secured by a security interest against the Property which is contractually and temporally subordinate to the interests of TD assigned to the Creditor.
40. Accord Financial Ltd. ("**Accord**") provides factoring services to the Company on its Canadian credit sales, pursuant to a letter agreement dated June 1, 2010, as amended from time to time. On March 1, 2016,

Accord provided an irrevocable letter of credit in favour of Strellson (the “**Accord LOC**”) for purchases of merchandise made by the Company, to a maximum of \$500,000.

41. In connection with the Accord LOC, documentation was executed subordinating the claims of Adamray against the Company (in respect of the Shareholder Loan) to the claims of Accord, and assigning its indebtedness to Accord until Accord is paid in full. In further support of the Accord LOC, Strellmax agreed not to incur additional secured debt other than with TD. The Proposed Receiver understands that no draw has been made on the Accord LOC as at the date of this Report.

OTHER PPSA REGISTRANTS

42. In addition to the secured claims of Strellson, Adamray, and Accord noted above, the search report prepared by the Proposed Receiver’s legal counsel setting out registrations filed under the applicable Personal Property Security Registries indicated that the only other Ontario or B.C. PPSA Registration against Strellmax is the one in favour of National referenced above.

POTENTIAL PRIORITY CLAIMS

43. Based on information provided by the Company, the Proposed Receiver understands that the Company has liabilities that rank, or may rank, in priority to the secured claim of Strellson at the date of the Receivership Order, including:
 - a) Approximately \$50,000 owed to Strellmax employees, in respect of vacation pay;
 - b) Wages and source deduction payments in the aggregate amount of approximately \$50,000, representing wages accrued since the payment of the last payroll period ended June 30, 2017 (the “**Stub Period Wages**”); and
 - c) Approximately \$30,000 owed to Canada Revenue Agency in respect of sales taxes.
44. The Proposed Receiver understands that, with the exception of the Stub Period Wages, the Company was current on all payments to government authorities for sales taxes and source deductions that were due and payable as at the date of this Report.
45. If appointed as Receiver, the Proposed Receiver will comply with the provisions of the Wage Earner Protection Program Act subsequent to its appointment.

UNSECURED TRADE CREDITORS

46. The Proposed Receiver understands that the Company had total unsecured trade payables owing of approximately \$5.1 million as at May 31, 2017, of which the majority related to amounts owing to Strellson. As outlined in the Braun Affidavit, approximately \$3.6 million is owed to Strellson pursuant to the Licence Agreement and the Distribution Agreement as at June 30, 2017.
47. The Proposed Receiver understands that the Company was current in respect of obligations to its landlords through July 2017, except for certain landlords where monthly rent is based on a percentage of sales and which has not been reconciled by the Company at the date of this Report.

VII. THE PROPOSED TRANSACTION

48. The Company, the Purchaser and their respective counsel (in consultation with the Proposed Receiver) have negotiated the terms and provisions of the APA, a copy of which is attached as **Appendix "A"** hereto.
49. The material terms of the APA as between the Purchaser, the Receiver (the "**Vendor**") and the Company, include the following (all terms not otherwise defined herein shall have the meanings as defined in the APA):
 - a) the purchased assets include all of the assets which the Purchaser desires to have the Buyer acquire in order to continue the wholesale business of the Company (the "**Purchased Assets**"). Specifically, the Purchased Assets include, but are not limited to, the following:
 - (i) certain inventory owned by the Company at closing (the "**Wholesale Inventory**"), that will comprise:
 - inventory that is located at the Concession Location; and
 - In Season Inventory located at the Distribution Centre.The Proposed Receiver understands that the Wholesale Inventory on hand has a book value on the Company's books and records of approximately \$600,000 as at June 30th.
 - (ii) other inventory (the "**Designated Inventory**", and together with the Wholesale Inventory, the "**Purchased Inventory**") to be designated by the Purchaser no later than three (3) business days prior to closing, and in any case the Designated Inventory is not to be less than \$100,000 and not more than \$300,000 of the book value on the Company's books and records;

- (iii) all wholesale customer contracts, customer orders, and other commitments (collectively, the “**Wholesale Customer Contracts**”);
 - (iv) all purchase orders outstanding with the Company's merchandise suppliers (the “**Wholesale Purchase Orders**”);
 - (v) wholesale business customer lists;
 - (vi) the IT Systems; and
 - (vii) the books and records related to the Purchased Assets.
- b) the Purchased Assets specifically exclude, among other things, the Company's accounts receivable, the inventory other than the Purchased Inventory, and furniture, fixtures, and equipment (the “**FF&E**”) which will be subject to the Liquidation Plan (as discussed later in this Report);
- c) subject to the terms of the APA, the Buyer agrees to assume certain liabilities of the Company (the “**Assumed Obligations**”), including the following:
 - (i) the liabilities, at closing, in respect of the unfulfilled Wholesale Customer Contracts;
 - (ii) the liabilities, at closing, in respect of the unfulfilled Wholesale Purchase Orders;
 - (iii) certain liabilities in connection with the IT Systems.
- d) The purchase price (the “**Purchase Price**”) for the Purchased Assets at closing will be the aggregate amount of:
 - (i) 100% of the book value of the Purchased Inventory on the Company's books and records (being the “**Prescribed Inventory Amount**”), net of amounts still owing on inventory delivered in connection with the Wholesale Purchase Orders, which will be an Assumed Obligation of the Buyer;
 - (ii) \$50,000 (the “**IT Systems Credit Bid Amount**”); plus
 - (iii) the Assumed Obligations.
- e) The Purchase Price (exclusive of any transfer taxes) will be satisfied at closing as follows:
 - (i) by a credit bid by the Purchaser of a portion of the TD Facility in an amount equal to the Prescribed Inventory Amount plus the IT Systems Credit Bid Amount; and
 - (ii) by the Buyer's assumption of the Assumed Obligations, effective at closing.
- f) the Proposed Transaction is subject to certain conditions, the following of which are material closing conditions to the transaction:

- (i) the Court's issuance of the Approval and Vesting Order on or before July 14, 2017, and such Approval and Vesting Order shall not have been stayed, vacated, or varied;
- (ii) the appointment of the Receiver on or before July 14, 2017;
- (iii) the Buyer having entered into supply arrangements with the Wholesale Customers satisfactory to the Buyer prior to the Closing Date (the "**Wholesale Customers Condition**");
- (iv) the Buyer having entered into an agreement for transition services (the "**Support Services Agreement**") with Strellmax and the Vendor, including as it relates to the allocation of space at the Company's Headquarters, access to the employees and the computer systems of each of the Buyer and Strellmax, and the Buyer's assistance to the Company in collecting accounts receivable from the Wholesale Customers. The APA contemplates that the Purchaser will provide consideration to the Vendor in respect of the assistance to be provided by the Company, and that the Support Services Agreement shall terminate no later than the Receiver's discharge; and
- (v) there shall have been no material adverse change to the Purchased Assets prior to closing.

50. The Closing Date shall occur one (1) business day following the day on which the Wholesale Customers Condition is waived or satisfied, but in no case later than August 15, 2017. The Proposed Receiver understands that the delay in closing is required by the Purchaser in order to, among other things, secure arrangements with the Wholesale Customers in respect of go-forward supply.

51. The Buyer is acquiring the Purchased Assets on an "as is, where is" basis, representing substantially all of the Company's wholesale business and assets. The APA contemplates that the Buyer may, but is not obligated to, offer employment to certain of the Company's employees, in order to continue the Company's wholesale business. The Proposed Receiver further understands that the Buyer may be interested in acquiring certain of the Company's assets remaining after the Liquidation Plan is completed; as at the date of this Report, the Proposed Receiver is not aware of the form, likelihood or potential value of the foregoing.

52. In the view of the Proposed Receiver, the Proposed Transaction is reasonable in the circumstances, and the best alternative to a complete liquidation of the Company's assets, for the following reasons:

- a) as noted above, the Proposed Receiver understands that the majority of the Company's merchandise is supplied by Strellson pursuant to the Licence Agreement and the Distribution Agreement which are not assignable by their terms, and that Strellson would not support the sale and/or otherwise transfer of these agreements to any third party purchaser. As such, the only reasonable alternative to the Proposed Transaction is the liquidation of the Company's assets;
- b) the Licence Agreement provides Strellson with the first right of refusal to repurchase the Company's inventory in the event the agreement is terminated. The terms of the Licence Agreement stipulate that the repurchase price (the "**Repurchase Price**") paid by the licensor shall be the cost paid by Strellmax to the manufacturer at delivery for the current season's merchandise, and a lesser factor thereof for merchandise from previous seasons. The APA contemplates that the Prescribed Inventory Amount, at 100% of the Company's book value, will be at least the amount of the Repurchase Price;
- c) the Proposed Transaction would be more beneficial to the Company's creditors than the liquidation alternative. The Proposed Receiver has consulted with the Liquidator (as defined below), specializing in retail liquidations, and understands that in the Liquidator's view, net realizations on a liquidation of the Purchased Inventory would be less than the Company's book value, even if liquidated through the Company's retail channel. This view is consistent with Richter's experience with liquidation values in similar retail insolvencies. The Proposed Receiver further understands from the Company and the Liquidator, that the amount of the Company's inventory on hand is in excess of that which could be liquidated in an orderly manner through its limited retail channel, and as such significant discounts would be required to liquidate all of the Company's inventory; and
- d) the Proposed Transaction provides the greatest benefit to all stakeholders (including customers, suppliers, etc.) as it results in the continuation of the Company's wholesale operations, which benefits will include the preservation of employment for a material portion of the Company's head office and warehouse employees.

VIII. THE RETAIL LIQUIDATION PLAN

53. As noted above, the retail stores have been suffering operating losses in fiscal 2016 and fiscal 2017 YTD, and are forecast to continue to suffer operating losses through fiscal 2019, absent Strellson's support, and as such, the only alternative for the assets which are not subject to the Proposed Transaction is liquidation.

54. The Company, with the assistance of its advisor Pernica has engaged the services of HyperAMS, LLC (the "**Consultant**"). The Company, with the assistance of the Consultant, has developed a Liquidation Plan in

order to enable the Company to conduct an orderly liquidation (the “**Sale**”) of the Company’s inventory and FF&E not subject to the Proposed Transaction (the “**Excluded Assets**”).

55. The Company has engaged the Consultant, pursuant to an agreement dated June 28, 2017 (the “**Liquidation Plan Consulting Agreement**”) between the Consultant and Strellmax, where the Consultant will advise Strellmax in respect of the liquidation of the Excluded Assets. The Proposed Receiver was afforded an opportunity to review the terms of the Liquidation Plan Consulting Agreement prior to its execution, and does not have any reason to believe that the terms of the agreement are not consistent with other engagements in respect of retail insolvencies of a similar size to Strellmax. The Proposed Receiver understands that the Consultant has extensive experience with retail insolvencies and is well positioned to provide the advice to Strellmax required for the effective conduct of the Sale.
56. The Proposed Receiver understands that, in order to facilitate the Liquidation Plan, Strellson has agreed to grant the use of the Strellson brand licence on a limited basis during the Sale.
57. Below is a summary of the key terms of the Liquidation Plan Consulting Agreement and the Liquidation Plan:
 - a) the Consultant will advise the Company in conducting a “store closing” or similar-themed Sale in locations at the Company’s discretion, which will commence on July 7, 2017 (the “**Sale Commencement Date**”), to end no later than September 30, 2017 (the “**Sale Termination Date**”, the period from the Sale Commencement Date through the Sale Termination Date being the “**Liquidation Period**”). The Proposed Receiver understands that the Sale will be conducted at the five (5) standalone retail locations, and may continue at the Bloor Street retail location beyond the Sale Termination Date, if determined by the Company, with the assistance of the Consultant, to be appropriate;
 - b) the Company is responsible for all reasonable costs and expenses in connection with the Sale, which have been determined and forecast in consultation with the Consultant;
 - c) in consideration of its services, the Consultant will earn a fee of \$6,000 United States dollars (“**USD**”) for the first week of its engagement, and \$3,000 USD per week during the Liquidation Period thereafter;
 - d) the Consultant may also advise Strellmax in selling any owned FF&E in the stores. The Consultant will earn a fee of fifteen percent (15%) of the gross proceeds from the sale of the FF&E located in the stores, only if it assists with the sale or disposal of the FF&E at the request of the Company; and
 - e) the terms of the Liquidation Plan Consulting Agreement shall survive any formal or court-supervised insolvency proceedings commenced by or against Strellmax.

58. Upon Court approval of the Liquidation Plan and the Receiver's appointment, the Sale will continue under the oversight of the Receiver. As noted later in this Report, the Receivership Order contemplates that the Receiver will control the treasury assets of the Company, and will have the power and authority, but not the obligation, to act in respect of the Property;
59. The sale guidelines (the "**Sale Guidelines**") surrounding store operations and closings are governed by Schedule "A" to the Receivership Order. In the Proposed Receiver's view, the Sale Guidelines are in a form consistent with recent Canadian retail liquidations. The Sale Guidelines shall include that:
- a) the Sale will be conducted in accordance with the terms of the applicable leases or other occupancy agreements, except as provided for in the Receivership Order or any further Order of the Court, or any written agreement between the Company or Receiver and the applicable landlord;
 - b) the Sale shall be conducted so that each of the stores remain open during their normal hours of operation provided in their respective leases;
 - c) the Sale shall end by no later than the Sale Termination Date, with the exception of the Bloor Street location where the Sale may extend past the Sale Termination Date to the expiry of the lease;
 - d) all display and hanging signs used by the Company in connection with the Sale shall be professionally produced and all hanging signs shall be hung in a professional manner. No signs shall advertise the Sale as a "bankruptcy", a "going out of business" or a "liquidation" sale;
 - e) at the conclusion of the Sale in each Closing Store, the Company shall arrange that the premises for each Closing Store (as defined in the Sale Guidelines) is in "broom-swept" and clean condition, and shall arrange for the Closing Stores to be in the same condition as they were on the Sale Commencement Date, ordinary wear and tear excepted; and
 - f) the Company and, where appropriate, the Receiver, shall not conduct any auctions of inventory or FF&E at any of the Closing Stores.
60. The form of Receivership Order provides that the Company is authorized to market and sell the Excluded Assets through the Sale, in accordance with the Sale Guidelines attached to the Receivership Order.
61. Based on the experience of the Proposed Receiver with other retail insolvency liquidations, it is the view of the Proposed Receiver that the Liquidation Plan, the terms and conditions of the Liquidation Plan Consulting Agreement, and the related terms of Receivership Order are consistent with the market in similar situations.

IX. COURT-ORDERED CHARGES

ADMINISTRATION CHARGE

62. The proposed Receivership Order provides for a first ranking charge in favour of the Receiver, the Receiver's counsel, and counsel to the Company (the "**Insolvency Professionals**") in an amount not to exceed \$400,000, subject to further Order of the Court, charging all of the Property as security for the professional fees and disbursements incurred both before and after the date of these receivership proceedings (the "**Administration Charge**").

D&O CHARGE

63. As noted in the Braun Affidavit, the proposed Receivership Order leaves a large degree of control over the Company to the current directors and officers to effect the proposed Liquidation Plan, and the interim period prior to the closing of the Proposed Transaction.

64. The proposed Receivership Order provides for a charge in the maximum amount of \$150,000 subject to further Order of the Court charging the assets of the Company to indemnify its directors and officers for liabilities incurred by the Company that result in post-filing claims against the directors and officers in their personal capacities (the "**D&O Charge**").

65. The amount of the D&O Charge was determined by taking into consideration employee payroll and related expenses (including source deductions), vacation pay and sales taxes. As noted in the Braun Affidavit, the Creditor supports the D&O Charge.

SUMMARY AND PROPOSED RANKING OF THE COURT ORDERED CHARGES

66. It is contemplated that the priorities of the charges sought by the Creditor (collectively, the "**Charges**") will be as follows:

- a) First – Administration Charge; and
- b) Second – the D&O Charge.

67. The Receivership Order provides that the Charges will rank in priority to the security interests of the Creditor as well as all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise, which are properly perfected security interests as of the date of the Receivership Order.

68. The Proposed Receiver believes that the Charges and rankings are required and reasonable in the circumstances of these receivership proceedings in order to achieve an orderly and efficient realization of the Company's assets and accordingly, supports the granting and the proposed ranking of the Charges.

X. RECEIVER'S PROPOSED MANDATE AND POWERS UNDER THE RECEIVERSHIP ORDER

69. The proposed Receivership Order contemplates that the Receiver shall take possession and control over the Company's treasury assets and all amounts due to the Company pursuant to the Sale and the APA, and the Company shall remain in possession and control of the remaining assets, including the Excluded Assets. Further, the proposed Receivership Order contemplates that the operation and management of the Company will continue to be controlled by its current directors and officers during the receivership proceedings. The Creditor has requested this structure as the Company's employees have intimate knowledge of the Company's business and operations and are best positioned to transition the Company's wholesale business to the Purchaser with minimal interruption to the Wholesale Customers. As noted in the Braun Affidavit, the directors and officers of the Company are intimately familiar with the Company's business and operations and has a unique skill set and knowledge of the industry which will allow the Company, with the assistance of the Receiver and the Consultant, to conduct an orderly liquidation of the Company's assets and to complete the Proposed Transaction in the most efficient manner.
70. The Proposed Receiver notes that the proposed Receivership Order empowers and authorizes, but does not obligate, the Receiver to take an expanded role in keeping with the customary powers conferred in receiverships with a view to providing the Receiver with the flexibility to exercise its discretion and address issues and engage in activities in a timely fashion as requirements arise.
71. Provided the Receivership Order is granted, in addition to mailing notice of the Receiver's appointment pursuant to section 246(1) of the BIA, the Receiver will set up a website to post periodic updates and Court materials, as well as establish contact information in the event that creditors, suppliers, employees or other stakeholders require additional information with respect to these proceedings.

XI. RECOMMENDATION

72. Should the Court see fit to appoint a receiver in the circumstances, the Proposed Receiver recommends that this Court grant the Receivership Order and the Approval and Vesting Order for the following reasons:


- a) The Proposed Receiver understands that Strellson does not intend to continue the Licence Agreement or the Distribution Agreement, effectively foreclosing the possibility of any sort of going concern sale of the Company's business without the support of Strellson;
 - b) the terms of the Liquidation Plan Consulting Agreement are in line with the market and commercially reasonable given the limited scope of the Sale and the small number of retail locations in question;
 - c) as detailed above, in the circumstances, the Proposed Receiver is of the view that the Proposed Transaction, together with the Liquidation Plan, represent a reasonable and value-maximizing approach to realizing on the Property; and
 - d) both the Creditor and Adamray support the Proposed Transaction and the Liquidation Plan.
73. Provided this Court sees fit to issue the Receivership Order, upon the Receiver's appointment and issuance of the Approval and Vesting Order approving the APA, the Receiver shall forthwith enter into the APA and carry out the Proposed Transaction.

All of which is respectfully submitted on the 5th day of July, 2017.

Richter Advisory Group Inc.
as the Proposed Receiver of
Strellmax Limited
and not in its personal capacity



Paul van Eyk, CA-CIRP, CA-IFA
Senior Vice-President



Katherine Forbes, CPA, CA
Vice-President

APPENDIX

“A”

ASSET PURCHASE AGREEMENT – NON LIQUIDATION ASSETS

This Agreement is made as of the ____ day of July, 2017 among:

**RICHTER ADVISORY GROUP INC., solely in its capacity as
Court-appointed receiver of the assets, undertakings and properties of
STRELLMAX LTD.**
(the "Vendor")

AND

STRELLSON AG
(the "Purchaser")

AND

STRELLSON CANADA LTD.
(the "Buyer")

AND

STRELLMAX LTD.
(“Strellmax”)

RECITALS

A. Strellmax is indebted to the Purchaser in the amount of approximately \$3,800,000, as a result of the assignment made on June 30, 2017 by the Toronto-Dominion Bank (“**TD Bank**”) to the Purchaser of the indebtedness and obligations of Strellmax to TD Bank (the “**Assigned TD Debt**”), together with the related security instruments granted by Strellmax to TD Bank (the “**Assigned TD Security**”) and certain subsequent advances by the Purchaser to Strellmax;

B. Pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) dated July 7, 2017 (the "**Appointment Order**") made upon the application of the Purchaser as assignee of the Assigned TD Debt and the Assigned TD Security, and upon the consent of Strellmax, the Vendor was appointed as the receiver (the “**Receiver**”) of the assets, undertakings and properties of Strellmax pursuant to the *Bankruptcy and Insolvency Act* (Canada) (“**BIA**”) and the *Courts of Justice Act(Ontario)* and was authorized, *inter alia*, to manage all treasury functions of Strellmax and control all receipts and disbursements of Strellmax, and pursuant to the Approval and Vesting Order (as hereinafter defined) the Receiver was authorized to sell certain inventory and assets of Strellmax to the Purchaser in accordance with the terms of this Agreement;

C. The Appointment Order also provided that Strellmax would: (i) remain in possession and operation of its Retail Business and the Excluded Inventory; (ii) maintain its head office and Distribution Centre functions under the supervision of the Receiver; and (iii) conduct an orderly liquidation of the Excluded Inventory and wind up of the Retail Business under the supervision of the Receiver;

D. The Purchaser wishes to purchase (with title to the Purchased Assets being directed into Buyer on Closing), and the Vendor wishes to sell, the Purchased Assets (as defined herein), as more particularly set out herein, subject to the terms and conditions hereof.

THIS AGREEMENT WITNESSES THAT in consideration of the respective covenants, agreements, representations and warranties of the parties herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each of the parties), the parties agree as follows:

ARTICLE I INTERPRETATION

1.01 Definitions

In this Agreement:

"Accounts Receivable" means accounts receivable, bills receivable, trade accounts, book debts and insurance claims relating to the Business, recorded as receivable in the books and records of Strellmax, and other amounts due or deemed to be due to Strellmax relating to the Business including refunds and rebates receivable relating to the Business or the Purchased Assets, and including, without limitation, the Tax Credits;

"Agreement" means this Asset Purchase Agreement and all schedules attached hereto;

"Approval and Vesting Order" means an order of the Court substantially in the form of the model approval and vesting order approved by the Commercial List Users' Committee and satisfactory to the Purchaser, acting reasonably, the terms of which authorize and approve this Agreement and finally and unconditionally approve the sale of the Purchased Assets to the Purchaser and the assumption of the Assumed Obligations and vesting, upon the filing of the Receiver's certificate referenced herein, all right, title and interest of Strellmax in and to the Purchased Assets to the Buyer, free and clear of all Claims, liabilities and Encumbrances, pursuant to the terms and conditions of this Agreement. The Approval and Vesting Order will vest title to the Purchased Assets as aforesaid in the Buyer effective upon the Receiver delivering a Certificate to the Purchaser in the form of certificate to be attached to the Approval and Vesting Order certifying that the Transaction has closed to the satisfaction of the Receiver;

"Assigned Contracts" means the Wholesale Purchase Orders and the Wholesale Customer Orders that remain outstanding as at the Closing Date and the IT Leases designated by the Purchaser prior to Closing;

"Assumed Obligations" means the obligations of Strellmax under the Assigned Contracts (for greater certainty, net of the Wholesale PO Deposits) as at the Closing Date;

"BIA" has the meaning set out in Recital B;

"Books and Records" means the books, records and electronic files of Strellmax relating to the Wholesale Business, the Wholesale Inventory, the Wholesale Purchase Orders, the Wholesale PO Deposits and the Wholesale Customer Orders;

"Business" means the Wholesale Business and the Retail Business together.

"Business Day" means a day on which banks are open for business in the City of Toronto, Ontario but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario;

"Claims" means any and all claims, demands, complaints, grievances, actions, applications, suits, causes of action, orders, charges, indictments, prosecutions or other similar processes, assessments or reassessments, judgments, debts, liabilities, expenses, costs, damages or losses, contingent or otherwise, whether liquidated or unliquidated, matured or unmatured, disputed or undisputed, contractual, legal or equitable, including loss of value, professional fees, including solicitor and client costs and disbursements, and all costs incurred in investigating or pursuing any of the foregoing or any proceeding relating to any of the foregoing, and **"Claim"** means any one of them;

"Closing" means the successful completion of the Transaction;

"Closing Date" shall be the Business Day on or before the Outside Date immediately following the date up on which the Purchaser satisfies or waives the Condition set out in Section 4.01(a) of this Agreement; or such other date as agreed upon between the parties in writing;

"Concession Location" means the licensed concession operated by Strellmax located within the Hudson Bay Company Yorkdale store as of the date of this Agreement.

"Concession Location Inventory" means all inventory owned by Strellmax located at the Concession Location as of the date of this Agreement.

"Court" means the Ontario Superior Court of Justice (Commercial List);

"Credit Bid" means the agreement by the Purchaser to settle and release a portion of the Assigned TD Debt on account of the Purchase Price payable for the Purchased Assets under section 2.05 of this Agreement;

"Delivered In Season Inventory" means In Season Inventory listed in Wholesale Purchase Orders, that is delivered to the Distribution Centre during the Interim Period **and** remains in the Distribution Centre on the Closing Date;

"Designated Inventory" not less than \$100,000 book value and not more than \$300,000 book value of inventory which shall be designated by the Purchaser as "Purchased Inventory" at least three Business Days' prior to the Closing Date from the following:

(i) inventory of Strellmax located in the Distribution Centre that is not In Season Inventory; and

(ii) In Season Inventory located in the Retail Stores as of June 30, 2017.

“Distribution Centre” means the Strellmax warehouse located at 3725 Chesswood Drive, Toronto, Ontario, M3J 2P6.

"Employees" means individuals employed by Strellmax, on a full-time, part-time or temporary basis;

"Encumbrances" means all pledges, liens, charges, security interests, leases, title retention agreements, mortgages, restrictions, developments or similar agreements, easements, rights-of-way, title defects, options or adverse claims or encumbrances of any kind or character whatsoever;

"ETA" means the *Excise Tax Act* (Canada)

"Excluded Assets" means Accounts Receivable, the Excluded Inventory, the Excluded IT, and all other property, assets and undertaking of Strellmax that do not relate to the Wholesale Business or do not otherwise constitute a Purchased Asset hereunder;

“Excluded Inventory” means all inventory that is not Purchased Inventory;

“Excluded IT” means the IT Systems and IT Leases designated by the Purchaser at least three Business Days’ prior to the Closing Date as Excluded IT;

"Governmental Authorities" means governments, regulatory authorities, governmental departments, agencies, commissions, bureaus, officials, ministers, Crown corporations, courts, bodies, boards, tribunals or dispute settlement panels or other law, rule or regulation-making organizations or entities:

- (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or
- (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power;

"HST" means all harmonized sales taxes payable under the ETA;

"Interim Period" means the period from the date of the Approval and Vesting Order to and including the Closing Date;

“In Season Inventory” means inventory designated as “Never out of Season” or “Fall/Winter 2017”;

“IT Systems” means all computer hardware and peripheral systems, supplies and accessories used in the Business, all software relating to the Business, including computer programs, all related documentation, manuals, source code, object code, program files, data files, computer

related data, field and data definitions and relationships, data definition specifications, data models, program and system logic, interfaces, program modules, routines, sub-routines, algorithms, program architecture, design concepts, system designs, program structure, sequence and organization, screen displays and report layouts, owned or leased by Strellmax (such IT System leases, the "IT Leases") used in the Business;

"IT Systems Credit Bid Amount" means \$50,000;

"Outside Date" means August 15, 2017;

"Parties" means the Vendor, Strellmax and the Purchaser collectively, and **"Party"** means any one of them;

"Person" means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, Governmental Authority, and where the context requires any of the foregoing when they are acting as trustee, executor, administrator or other legal representative;

"Prescribed Inventory Amount" means dollar amount equal to 100% of the Purchased Inventory Book Value as of the Closing Date;

"Purchase Price" has the meaning ascribed thereto in Article 2.05;

"Purchased Assets" means all the right, title and interest of Strellmax in and to the Purchased Inventory, the Wholesale Purchase Orders, the Wholesale PO Deposits; the Wholesale Customer Orders, the Assigned Contracts, the IT Systems and the Books and Records, and which, for greater certainty, shall exclude the Excluded Assets;

"Purchased Inventory" means the Wholesale Inventory and the Designated Inventory;

"Purchased Inventory Book Value" means the dollar amount equal to the aggregate book value of the Purchased Inventory on the books and records of Strellmax as at the Closing Date, net of amounts still owing to suppliers in respect of Delivered In Season Inventory which are assumed by the Buyer as an Assumed Obligation;

"Required Consents" means all consents, resolutions, agreements, assignments, orders or other documents from all persons or entities, licensor, governmental body or other person or entity, which may be required or desirable for the effective transfer of the Purchased Assets, acting reasonably, and all rights and benefits associated therewith to the Purchaser, to the extent required under the applicable Assigned Contract with respect to the assignment of such Assigned Contract to the Purchaser;

"Restricted Right" means any Contract or governmental authorization which by its terms requires consent or approval of the other party or parties thereto or the issuer for completion of the transactions contemplated by this Agreement or in respect of which the completion of the transactions contemplated by this Agreement will increase the obligations or decrease the rights or entitlements of Strellmax or the Purchaser relating to the Business under such Contract or governmental authorization;

“**Retail Business**” means the segment of the business carried on by Strellmax directly and indirectly relating to the purchasing and selling of inventory to the public from the Retail Stores;

“**Retail Store Leases**” means the leases of the Retail Stores;

“**Retail Stores**” means the Strellson branded retail store locations operated by Strellmax as of the date of this Agreement at the following locations: Rideau Centre Ottawa; Yorkdale Toronto, Bayview Village Toronto; 170 Bloor Street West Toronto; 1108 Alberni Street Vancouver;

“**Sold Wholesale Inventory**” means Wholesale Inventory that is sold during the Interim Period.

“**Tax**” and “**Taxes**” means all taxes, charges, fees, levies, imposts and other assessments, including all income, sales, use, goods and services, harmonized, value added, capital, capital gains, alternative, net worth, transfer, profits, withholding, payroll, employer health, excise, franchise, real property and personal property taxes, and any other taxes, customs duties, fees, assessments or similar charges in the nature of a tax, including Canada Pension Plan and provincial pension plan contributions, employment insurance payments and workers compensation premiums, together with any installments with respect thereto, and any interest, fines and penalties, imposed by any Governmental Authorities, and whether disputed or not;

“**Tax Credits**” means all amounts receivable by or payable to Strellmax consisting of or related to any refund of Taxes paid by Strellmax, or other Tax credits owed to Strellmax;

“**Time of Closing**” means 2:00 p.m. (Toronto time) on the Closing Date or such other time on the Closing Date as the parties may mutually agree;

“**Transaction**” means the transaction of purchase and sale and assignment and assumption contemplated by this Agreement;

“**Vendor**” has the meaning ascribed thereto above.

“**Wholesale Business**” means the segment of the business carried on by Strellmax directly and indirectly relating to the purchasing and selling of inventory to Wholesale Customers.

“**Wholesale Customers**” means the customers of the Strellmax Wholesale Business listed in **Schedule “A”** hereto.

“**Wholesale Customers Orders**” means the orders placed by Wholesale Customers with Strellmax listed on **Schedule “B”** hereto and orders placed by Wholesale Customers with Strellmax during the Interim Period, which remain the outstanding and unfulfilled as of the Closing Date;

“**Wholesale Inventory**” means the Concession Location Inventory and all In Season Inventory located in the Distribution Centre as of the date of this Agreement, including, without limitation, the inventory listed on **Schedule “C”** hereto, excluding Sold Wholesale Inventory, and adding Delivered In Season Inventory.

“**Wholesale Purchase Orders**” means the purchase orders for the purchase by Strellmax of In Season Inventory placed by Strellmax, which are listed in **Schedule “D”** hereto;

“**Wholesale PO Deposits**” means deposits and prepayments made by Strellmax on account of Wholesale Purchase Orders, reflected in the column in **Schedule “D”** titled “Deposit Amount”;

1.02 Interpretation Not Affected by Headings, etc.

The division of this Agreement into articles or 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", "herein" and "hereunder" and similar expressions refer to this Agreement and not to any particular section hereof.

1.03 Extended Meanings

Words importing the singular include the plural and *vice versa*, words importing gender include all genders and words importing persons include individuals, partnerships, associations, trusts, unincorporated organizations, corporations and Governmental Authorities. The term "including" means "including, without limitation," and such terms as "includes" have similar meanings.

1.04 Schedules

The following Schedules (as applicable) are incorporated in and form part of this Agreement:

Schedule A	WHOLESALE CUSTOMERS
Schedule B	WHOLESALE CUSTOMER OPEN ORDERS
Schedule C	WHOLESALE INVENTORY
Schedule D	WHOLESALE PURCHASE ORDERS AND WHOLESALE PO DEPOSITS

ARTICLE II SALE AND PURCHASE AND ASSIGNMENT

2.01 Sale and Purchase of Purchased Assets

Subject to the terms and conditions hereof, on the Closing Date:

- (a) **Purchase and Sale of Purchased Assets** — the Vendor shall sell and the Purchaser shall, by way of direction of title to the Buyer, cause the Buyer to purchase the Purchased Assets and the Buyer shall, accordingly, purchase the Purchased Assets;

- (b) **Transfer and Delivery of Purchased Assets** — the Vendor shall execute and deliver to the Purchaser and the Buyer all such bills of sale, assignments, instruments of transfer, deeds, assurances, consents and other documents as shall be necessary or desirable to effectively transfer to the Buyer the Purchased Assets; the Vendor and Strellmax shall deliver up to the Buyer possession of the Purchased Assets, free and clear of all Encumbrances; and
- (c) **Other Documents** — the Vendor, Strellmax, the Purchaser and the Buyer shall deliver such other documents as may be necessary or desirable to complete the transactions provided for in this Agreement.

2.02 Assignment and Assumption of Assigned Contracts

Subject to the conditions and terms hereof, the Vendor shall assign to the Buyer at the Time of Closing all of the rights, benefits and interests of the Vendor in and to the Assigned Contracts pursuant to assumption agreements in form and substance satisfactory to the Vendor.

- (a) Provided that it is not otherwise permitted in the Approval and Vesting Order or any other order of a court with jurisdiction, nothing in this Agreement shall be construed as an assignment of, or an attempt to assign to the Buyer, any Restricted Right (a) which, as a matter of law, or by its terms, (i) is not assignable, or (ii) is not assignable without the approval or consent of the issuer thereof or other party or parties thereto, or (b) in respect of which the completion of the transactions contemplated by this Agreement will increase the obligations or decrease the rights or entitlements of Strellmax, the Vendor or the Buyer relating to the Business, without first obtaining either such approval or consent or a waiver or a modification with respect to such Restricted Right, in each case acceptable to the Purchaser.
- (b) In instances where a Restricted Right may be assigned by way of consent or a waiver of a third party, the Vendor shall, at the request of the Purchaser or the Buyer, request said consent or waiver from the relevant third party (or third parties).

2.03 "As is, Where is"

The Purchaser acknowledges that the Vendor is selling the Purchased Assets on an "as is, where is" basis as they shall exist on the Closing Date, subject to the terms of the Approval and Vesting Order. The Purchaser further acknowledges that it has entered into this Agreement on the basis that the Vendor does not guarantee title to the Purchased Assets and that the Purchaser has conducted such inspections of the condition of and title to the Purchased Assets as it deemed appropriate and has satisfied itself with regard to these matters. No representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for purpose, merchantability, condition, quantity or quality or in respect of any other matter or thing whatsoever concerning the Purchased Assets or the right of the Vendor to sell or assign same save and except as expressly represented or warranted herein. Without limiting the generality of the foregoing, any and all conditions, terms, warranties or representations expressed or implied pursuant to the *Sale of Goods Act* (Ontario) or similar legislation do not

apply hereto and have been waived by the Purchaser. The description of the Purchased Assets contained in the Schedules hereto is for the purpose of identification only. No representation, warranty or condition has or will be given by Strellmax or the Receiver concerning completeness or the accuracy of the description of the Purchased Assets contained in the Schedules hereto.

2.04 Excluded Obligations

Other than the Assumed Obligations, the Purchaser and the Buyer shall not assume and shall not be liable for any other liabilities or obligations of any nature which are related in any way to Strellmax.

2.05 Deposit and Payment of the Purchase Price

- (a) The amount payable by the Purchaser for the Purchased Assets (the "**Purchase Price**") shall be: (i) the Prescribed Inventory Amount; (ii) the IT Systems Credit Bid Amount; (iii) the amount of any Taxes payable in respect of the Transaction under section 2.07 hereof; and (iv) the assumption of the Assumed Obligations.
- (b) At the Time of Closing, the Purchaser shall satisfy the Purchase Price as follows:
 - (i) by Credit Bid in an amount equal to the Prescribed Inventory Amount plus the IT Systems Credit Bid Amount;
 - (ii) payment to the applicable Governmental Authority of the amount of any Taxes payable in respect of the Transaction; and
 - (iii) the assumption by the Buyer of the Assumed Obligations.

2.06 Allocation of Purchase Price

The Prescribed Inventory Amount of the Purchase Price shall be allocated to the Purchased Inventory, the IT Systems Credit Bid Amount shall be allocated to the IT Systems, and the Assumed Obligations shall be allocated to the Purchased Assets other than the Purchased Inventory and IT Systems.

2.07 Taxes

- (a) The Purchaser shall pay upon Closing, in addition to the Purchase Price, all applicable federal and provincial taxes exigible in connection with the purchase and sale of the Purchased Assets including, without limitation, HST. Alternatively, where applicable, the Purchaser shall have the option to furnish the Vendor with appropriate exemption certificates.
- (b) Alternatively, if applicable, at the request of the Purchaser, the Buyer and the Vendor shall jointly make the election provided for under subsection 167(1.1) of the ETA such that no HST will be payable in respect of the transactions contemplated by this Agreement. In such case, the Buyer and the Vendor shall

jointly complete the election form in respect of such election and the Purchaser hereby irrevocably appoints the Vendor (or its authorized representatives) as its agent to file the said election form no later than the due date for the Buyer's HST returns for the first reporting period in which HST, as applicable, would, in the absence of such election, become payable in connection with the transactions contemplated by this Agreement.

- (c) The Purchaser and the Buyer agree to indemnify and save the Vendor and the Receiver harmless from and against all claims and demands for payment of the above-mentioned taxes including penalties and interest thereon and any liability or costs incurred as a result of any failure to pay such taxes when due.

2.08 Employees

- (a) Following the execution and delivery of this Agreement by the Parties, the Buyer may provide the Vendor with a list of Employees of the Wholesale Business whom the Buyer wishes to hire (the "**Prospective Employees**") and the Buyer shall, in its sole discretion, make such offers of employment, effective as of the Time of Closing and conditional on Closing, to the Prospective Employees on terms and conditions chosen by the Buyer in its sole discretion. For greater certainty, the Buyer shall not be obligated to offer employment to any Employee. The Buyer shall provide the Vendor with a list of the names, if any, of the Prospective Employees five (5) Business Days before the Closing Date. The Buyer shall provide notice to the Vendor on the Closing Date of the names of those Prospective Employees who accept employment with the Buyer (such Prospective Employees are collectively referred to herein as the "**Transferred Employees**").
- (b) On the Closing Date, the Buyer shall assume the Vendor's responsibility for payment of all wages, bonuses, commissions, vacation pay, sick leave, and any other remuneration ("**Employee Remuneration**") in respect of the Transferred Employees which arise after the Closing Date.
- (c) Strellmax shall be liable for all legal obligations relating to the employment of the Transferred Employees employed by it payable or accrued prior to the Closing Date. Strellmax shall be responsible for all wages, notice of termination, severance pay and other obligations, including entitlement to benefit coverage, vacation pay and overtime pay to all of its Employees who are not Transferred Employees.

ARTICLE III REPRESENTATIONS AND WARRANTIES

3.01 Purchaser and Buyer's Representations

The Purchaser and Buyer each represent and warrant to the Vendor and Receiver as follows:

- (a) the Purchaser is a corporation duly incorporated, organized and subsisting under the laws of Switzerland;
- (b) the Purchaser is the owner of the Assigned TD Debt and the Assigned TD Security;
- (c) the Purchaser and the Buyer have all necessary corporate power, authority and capacity to enter into this Agreement and to effect the Credit Bid, and to perform their obligations and the execution and delivery of this Agreement and the consummation of the transactions contemplated herein have been duly authorized by all necessary corporate action on the part of the Purchaser and the Buyer;
- (d) the Purchaser is not a party to, bound or affected by or subject to any indenture, agreement, instrument, charter or by-law provision, order, judgment or decree which would be violated, contravened or breached by the execution and delivery by it of this Agreement, the making of the Credit Bid, or the performance by it of any of the terms contained herein;
- (e) there is no suit, action, litigation, arbitration proceeding or governmental proceeding, including appeals and applications for review, in progress, pending or, to the best of the Purchaser's knowledge, threatened against or relating to the Purchaser or any judgment, decree, injunction, rule or order of any Court, governmental department, commission, agency, instrumentality or arbitrator which, in any case, might adversely affect the ability of the Purchaser to enter into this Agreement or to consummate the transactions contemplated and the Purchaser is not aware of any existing ground on which any action, suit or proceeding may be commenced with any reasonable likelihood of success;
- (f) this Agreement and all other documents contemplated hereunder to which the Purchaser is or will be a party, as at the Time of Closing, duly and validly executed and delivered by the Purchaser and constitute or will, as at the Time of Closing, constitute legal, valid and binding obligations of the Purchaser, as the case may be, enforceable in accordance with the terms hereof or thereof;
- (g) the Purchaser and the Buyer are a non-Canadian within the meaning of the *Investment Canada Act*; and
- (h) the Buyer has applied for registration under Part IX of the ETA and will notify the Vendor and the Receiver of its registration number once obtained but in any event prior to the Closing Date.

3.02 Vendor's Representations

The Vendor represents and warrants to the Purchaser as follows:

- (a) the Vendor has the right to enter into this Agreement and to complete the

Transaction, subject to the granting of the Approval and Vesting Order by the Court;

- (b) save and except for the charges created in the Appointment Order, the Vendor has done no act to encumber the Purchased Assets since the granting of the Appointment Order; and
- (c) the Vendor is not a non-resident of Canada for the purposes of the Income Tax Act (Canada).

ARTICLE IV CONDITIONS

4.01 Conditions – Purchaser and Buyer

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being fulfilled or performed at or prior to the Time of Closing:

- (a) by no later than the Business Day immediately prior to the Outside Date, the Buyer shall have entered into arrangements with each Wholesale Customer satisfactory to the Buyer in respect of the future supply of Strellson branded merchandise (including the Wholesale Inventory) by the Buyer to Wholesale Customers from and after the Closing Date;
- (b) the Buyer shall have entered into interim transitioning arrangements with Strellmax and the Vendor satisfactory to the Buyer in respect of; (i) each other's employees during normal business hours; (ii) allocation of space at the Distribution Center; (iii) the use by the Vendor and Strellmax of the IT Systems and the use by the Buyer of the Excluded IT Systems; and (iv) the assistance to be provided by the Buyer to the Vendor in respect of the collection of Accounts Receivable from Wholesale Customers (the "**Support Services Agreement**", which, for greater certainty, and in any event, shall terminate no later than the date of the Receiver's discharge) ;
- (c) by or before July 14, 2017, the Vendor shall have been appointed as Receiver of the property, assets and undertaking of Strellmax by the Court;
- (d) all Required Consents and such consents as the Purchaser may request or desire, acting reasonably, to facilitate the effective transfer of the Purchased Assets, and all rights and benefits associated therewith to the Purchaser, shall have been obtained;
- (e) arrangements satisfactory to the Purchaser in respect of outstanding HST obligations of Strellmax and/or any deemed or actual trusts attaching to the Purchased Assets or any of them, including, without limitation, the bankruptcy or pending bankruptcy of Strellmax;

- (f) all representations and warranties of the Vendor contained in this Agreement shall be true and correct as of the Closing Date with the same effect as though made on and as of the Closing Date;
- (g) the Vendor shall have performed and complied with all of the terms and conditions in this Agreement on its part to be performed or complied with at or before the Time of Closing and shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Time of Closing all the deliveries contemplated in Section 5.03 and elsewhere in this Agreement;
- (h) the Vendor shall cooperate with the Purchaser and use all reasonable efforts to obtain and diligently assist the Purchaser in obtaining all necessary permits, licenses, consents, approvals and authorizations;
- (i) during the Interim Period, no material adverse change to the Purchased Assets shall have occurred;
- (j) there shall be no Claim, litigation or proceedings pending or threatened, or order issued by any Governmental Authorities against any of the Parties, or involving any of the Purchased Assets, for the purpose of enjoining, preventing, restraining or delaying the completion of the Transaction or otherwise claiming that such completion is improper;
- (k) by or before July 14, 2017, the Approval and Vesting Order shall have been issued by the Court, and such Approval and Vesting Order shall not have been stayed, varied or vacated; and
- (l) during the Interim Period, Wholesale Inventory shall not be sold outside of the ordinary course of Business, including, but not limited to offering greater than customary discounts or other offsets, without the prior written consent of the Purchaser.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition may be waived by the Purchaser in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing.

4.02 Conditions - Vendor

The obligation of the Vendor to complete the Transaction is subject to the following conditions being fulfilled or performed at or prior to the Time of Closing:

- (a) by or before July 14, 2017, the Vendor shall have been appointed as Receiver of the property, assets and undertaking of Strellmax by the Court;
- (b) the provisions of the of Support Services Agreement shall be satisfactory to the Receiver;

- (c) all representations and warranties of the Purchaser contained in this Agreement shall be true and correct as of the Closing Date with the same effect as though made on and as of the Closing Date;
- (d) the Purchaser shall have performed each of its obligations under this Agreement to the extent required to be performed on or before the Closing Date;
- (e) there shall be no order issued by any Governmental Authorities to restrain or prohibit the completion of the Transaction contemplated by this Agreement; and
- (f) by or before July 14, 2017, the Approval and Vesting Order shall have been issued by the Court, and such Approval and Vesting Order shall not have been stayed, varied or vacated.

The foregoing conditions are for the exclusive benefit of the Vendor. Any condition may be waived by the Vendor in whole or in part. Any such waiver shall be binding on the Vendor only if made in writing.

4.03 Non-Satisfaction of Conditions

If any condition set out in this Article 4 is not satisfied or performed prior to the time specified therefore, the party for whose benefit the condition is inserted may:

- (a) waive compliance with the condition in whole or in part in its sole discretion by written notice to the other party and without prejudice to any of its rights of termination in the event of non-fulfillment of any other condition in whole or in part; or
- (b) elect on written notice to the other party to terminate this Agreement before Closing.

ARTICLE V CLOSING

5.01 Closing

The completion of the Transaction shall take place at the offices of the Receiver, at the Time of Closing on the Closing Date or as otherwise determined by mutual agreement of the parties in writing.

5.02 Purchaser or Buyer's Deliveries on Closing

At or before the Time of Closing, the Purchaser or the Buyer as the case may be, shall execute and deliver the following, each of which shall be in form and substance satisfactory to the Vendor, acting reasonably:

- (a) evidence of the Credit Bid;

- (b) payment or evidence of payment of applicable federal and provincial Taxes exigible in respect of the Transaction or alternatively, appropriate exemption certificates, as required by Article 2.07;
- (c) the executed assumption agreement(s), if any, as required by Article 2.02(a);
- (f) an acknowledgement dated as of the Closing Date, that each of the conditions precedent in Article 4.01 of this Agreement have been fulfilled, performed or waived as of the Closing Date; and
- (g) such further and other documentation as is referred in this Agreement or as the Vendor may reasonably require to give effect to this Agreement.

5.03 Vendor's Deliveries on Closing

At or before the Time of Closing, the Vendor shall execute and/or deliver to the Purchaser or the Buyer as the case may be, the following, each of which shall be in form and substance satisfactory to the Purchaser, acting reasonably:

- (a) if required by the Purchaser, a bill of sale and assignment substantially in a form satisfactory to the Vendor and Purchaser, acting reasonably, and reflecting the sale of the Purchased Assets to the Buyer on an "as is, where is" basis;
- (b) an acknowledgement dated as of the Closing Date, that each of the conditions precedent in Article 4.02 of this Agreement have been fulfilled, performed or waived as of the Closing Date; and
- (c) the Receiver's Certificate, executed by the Receiver as referred to in the Approval and Vesting Order and to be filed with the Court after the Closing

5.04 Purchaser and Buyer's Acknowledgement

The Purchaser and the Buyer acknowledges that the Vendor is selling Strellmax's rights, benefits and interests in and to the Purchased Assets as authorized by the Approval and Vesting Order. The Purchaser and the Buyer agree to purchase and accept the rights, benefits and interests of Strellmax in and to the Purchased Assets pursuant to and in accordance with the terms of this Agreement, the bill of sale and assignment and the Approval and Vesting Order.

5.05 Possession of Purchased Assets

The Vendor or Strellmax shall remain in possession of the Purchased Assets until the Time of Closing in accordance with the terms of the Appointment Order. On Closing, the Buyer shall take possession of the Purchased Assets wherever situate at the Time of Closing. The Purchaser acknowledges that the Vendor has no obligation to deliver physical possession of the Purchased Assets to the Buyer. In no event shall the Purchased Assets be sold, assigned, transferred or set over to the Buyer until the conditions set out in the Approval and Vesting Order have been satisfied and the Purchaser has satisfied all delivery requirements outlined in Article 5.02.

5.06 Access to Purchased Assets

The Purchaser and the Buyer may have reasonable access to the Purchased Assets located at the Premises during normal business hours prior to the Time of Closing for the purpose of enabling the Purchaser and the Buyer to conduct such inspections of the Purchased Assets as it deems appropriate. Such inspection shall only be conducted in the presence of a representative of the Receiver. The Purchaser agrees to indemnify and save the Receiver harmless from and against all claims, demands, losses, actions and costs incurred or arising from or in any way directly related to the inspection of the Purchased Assets or the attendance of the Purchaser or the Buyer, their employees or agents at the Premises.

After the Time of Closing, the Vendor and Strellmax, shall have reasonable access to the Purchased Assets as may be requested by such parties, acting reasonably, for the purposes of (a) enabling the Vendor to fulfill its obligations as Receiver, and (b) enabling Strellmax to facilitate the collection of the Accounts Receivable.

5.07 Risk

The Purchased Assets shall be and remain at the risk of Strellmax until Closing and at the risk of the Purchaser from and after Closing. If, prior to Closing, the Purchased Assets shall be damaged in any way or destroyed by fire or other casualty, then, at its option, the Purchaser may decline to complete the transaction. Such option shall be exercised within 15 days after notification to the Purchaser by the Receiver of the occurrence of damage or destruction (or prior to the Closing Date if such occurrence takes place within 15 days of the Closing Date) in which event this Agreement shall be terminated automatically and the Purchaser shall not be entitled to any compensation. If the Purchaser does not exercise such option, it shall complete the transaction and shall be entitled to an assignment of the proceeds of insurance referable to such damage or destruction. Where any damage or destruction is not substantial, the Purchaser and the Buyer shall complete the transaction and shall be entitled to an assignment of the proceeds of insurance referable to such damage or destruction provided that such damage or destruction is insured or, otherwise, to an agreed abatement. If any dispute arises under this Article as to whether damage or destruction is substantial or with respect to the amount of any abatement, such dispute will be determined by the Court.

5.08 Termination

If either the Vendor or the Purchaser validly terminates this Agreement pursuant to Article 4.03 or Article 5.07:

- (a) all the obligations of both the Vendor and Purchaser pursuant to this Agreement shall be at an end; and
- (b) neither party shall have any right to specific performance or other remedy against, or any right to recover damages or expenses from, the other.

ARTICLE VI GENERAL

6.01 Further Assurances

Each of the parties shall, from time to time after the Closing Date, at the request and expense of the other, take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such documents and further assurances as may be reasonably necessary to give effect to this Agreement.

6.02 Notice

Any notice or other communication under this Agreement shall be in writing and may be delivered personally, by courier or transmitted by email, addressed

in the case of the Purchaser, as follows:

Strellson AG
Sonnenwiesenstrasse 21
Kreuzlingen CH-8280
CHE
Attention: Dr. Bernd A. Walter
E-mail: B.Walter@holyfashiongroup.com

and in the case of the Vendor, as follows:

Richter Advisory Group Inc.
181 Bay Street – Suite 3320
Toronto, ON M5J 2T3

Attention: Katherine Forbes, Vice President
Email: kforbes@richter.ca

Any such notice or other communication, if given by personal delivery or courier, will be deemed to have been given on the day of actual delivery thereof and, if transmitted by email before 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on the Business Day, and if transmitted by email after 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission.

6.03 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Vendor and the Purchaser or by their respective solicitors.

6.04 Currency

Except where otherwise indicated, all references herein to money amounts are in Canadian currency.

6.05 Survival

The representations and warranties of the parties hereto contained in this Agreement shall merge on Closing.

6.06 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

6.07 Entire Agreement

This Agreement and the attached Schedules constitute the entire agreement between the parties with respect to the subject matter and supersede all prior negotiations and understandings. This Agreement may not be amended or modified in any respect except by written instrument executed by the parties.

6.08 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

6.09 Severability

If any provision of this Agreement or any document delivered in connection with this Agreement is partially or completely invalid or unenforceable, the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, all of which shall be construed and enforced as if that invalid or unenforceable provision were omitted. The invalidity or unenforceability of any provision in one jurisdiction shall not affect such provisions validity or enforceability in any other jurisdiction.

6.10 Vendor's Capacity

The Vendor is acting in its capacity as the Court-appointed Receiver of the property, assets and undertaking of Strellmax and shall have no personal or corporate liability under this Agreement.

6.11 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the parties irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

6.12 Commission

The Purchaser acknowledges that there are no agent or broker fees or other commissions payable by the Vendor on the Purchase Price or otherwise in connection with the Transaction, and the Purchaser agrees to indemnify the Vendor against any claim for compensation or

commission by any third party or agent retained by the Purchaser in connection with, or in contemplation of, the Transaction.

6.13 Counterparts & Delivery

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by facsimile of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

[Remainder of Page Intentionally Blank. Executions on Separate Page.]

IN WITNESS OF WHICH the Parties have executed this Agreement.

RICHTER ADVISORY GROUP INC., solely in its capacity as Court-appointed receiver of the assets, undertakings and properties of STRELLMAX LTD and not in its personal or corporate capacity

Per: _____
Name:
Title:

STRELLSON AG

Per: _____
Name:
Title:

STRELLSON CANADA LTD.

Per: _____
Name:
Title:

STRELLMAX LTD.

Per: _____
Name:

Title:

SCHEDULE "A" – WHOLESALE CUSTOMERS

SEE ATTACHED

SCHEDULE "B" – WHOLESALE CUSTOMER OPEN ORDERS

SEE ATTACHED

SCHEDULE "C" – WHOLESALE INVENTORY

SEE ATTACHED

SCHEDULE "D"
WHOLESALE PURCHASE ORDERS AND WHOLESALE PO DEPOSITS

SEE ATTACHED

10654782.2

STRELLSON AG
Applicant

- and -

Court File No. CV-17-11865-00CL
STRELLMAX LTD.
Respondent

APPLICATION UNDER section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. c-43, as amended

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
(PROCEEDINGS COMMENCED AT TORONTO)

PRE-FILING REPORT OF THE
PROPOSED RECEIVER

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Lawyers for Richter Advisory Group Inc., in its capacity as proposed
Receiver of Strellmax Ltd.