

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

**IN THE MATTER OF THE PROPOSAL OF  
CLOTHING FOR MODERN TIMES LTD.  
A COMPANY DULY INCORPORATED IN THE PROVINCE OF ONTARIO WITH A  
HEAD OFFICE IN THE CITY OF TORONTO  
IN THE PROVINCE OF ONTARIO**

**SUPPLEMENTAL REPORT TO THE FIFTH REPORT OF THE  
PROPOSAL TRUSTEE**

**NOVEMBER 16, 2011**

## **Appendices**

### **APPENDIX A – A&L Schedule**

1. This Supplemental Report to the Fifth Report of the Proposal Trustee (the “**Proposal Trustee**” or “**Farber**”) dated November 14, 2011 (the “**Supplemental Fifth Report**”) is prepared to provide an update on the status of the assets and liabilities of Clothing for Modern Times Ltd (“**CMT**” or the “**Company**”).
2. Farber has relied upon the financial records and financial statements of CMT, as well as other information supplied by management, accountants, auditors and financial advisors to CMT. Our procedures and enquiries did not constitute any audit or review engagement. Farber assumes no responsibility or liability for loss or damage occasioned by any party as a result of the circulation, publication, re-production or use of this Supplemental Fifth Report. Any use which any party, other than Court, makes of this Supplemental Fifth Report or any reliance on or a decision made based upon it is the responsibility of such party.
3. The Proposal Trustee has reviewed the Company’s draft balance sheet as at October 29, 2011, the monthly management accounts, including income statement, balance sheet and cash flow, for the period ended September 31, 2011 and the corporate structure of the Company.
4. The Proposal Trustee has further been provided the balance sheet at September 30, 2011 for CMT Wholesale Corp. (“**CMTWC**”), its indirect wholly-owned wholesale clothing subsidiary located in the United States of America. The Company has advised the Proposal Trustee that, other than CMTWC, all other direct and indirect subsidiaries of CMT are dormant, non-trading or bankrupt.

5. Based on the information provided, the Proposal Trustee has prepared a net realizable schedule (the “**A&L Schedule**”) which provides financial details of the Company as follows:

- a) the book value and of CMT’s assets at October 29, 2011 and the estimated realizable value of the assets of the Company;
- b) liabilities that may rank ahead of the secured creditor liability and estimated expenses that may be incurred to realize on the Company’s assets;
- c) the amount of secured debt including accrued interest at the date of the filing of the notice of intention to make a proposal, June 27, 2011 (the “**NOI**”); and
- d) unsecured creditor liabilities at the date of the filing of the NOI, including trade creditor claims, employee severance and termination liabilities and disclaimed landlord claims pursuant to section 65.2(4) of the *Bankruptcy and Insolvency Act* (“**BIA**”).

6. A copy of the A&L Schedule is attached hereto as **Appendix “A”**.

7. Based on the A&L Schedule, the Proposal Trustee notes the following pertinent information:

- a) Net Book Value (“**NBV**”) of the assets of the Company are \$38.6 million with the two main asset classes, namely Inventory and Capital Assets, accounting for approximately 78% of the NBV;
- b) the Proposal Trustee has estimated, based on certain assumptions, the Company’s assets will produce between \$13.9 million and \$16.7 million on an orderly liquidation scenario prior to employee priority expenses, orderly liquidation expenses and professional fees;
- c) Net recovery of assets after payment of employer related priority payments and orderly liquidation expense’s is estimated to produce between \$12.9 million and \$15.7 million;
- d) the secured creditor liability, including accrued interest, totals \$22.9 million. The three main secured creditors include Roynat Asset Finance Inc., a division of Roynat Inc. (“**Roynat**”), CIC Asset Management Inc. (“**CIC**”) and CMT Sourcing Group Ltd (“**CMT Sourcing**”);
- e) the total estimated unsecured creditor claims amount to approximately \$25.4 million. Included in the unsecured creditor claims are estimated claims of landlords for disclaimed or resiliated leases which have been calculated pursuant to section 65.2(4) of the BIA and amount to approximately \$11.4 million;

8. Based on the A&L Schedule, the Proposal Trustee estimates that Roynat, the first secured creditor, will be fully repaid from an orderly liquidation of assets and CIC and CMT Sourcing would suffer shortfalls to their secured debt positions.
9. In addition, the Proposal Trustee concludes that the unsecured creditors would not receive a distribution in the CMT estate if an orderly liquidation was conducted on the Company's assets.
10. The Proposal Trustee notes that, in addition to the secured debt owing to CMT Sourcing at the date of the NOI, the Company has a post-filing liability owing to CMT Sourcing in the amount of approximately \$2.5 million, which is subject to its security interest. The above further supports the conclusion that unsecured creditors will not receive a distribution in the CMT estate if an orderly liquidation was conducted.

All of which is respectfully submitted this 16th day of November 2011.

**A. FARBER & PARTNERS INC.  
IN ITS CAPACITY AS TRUSTEE *IN RE*  
THE PROPOSAL OF CLOTHING FOR MODERN TIMES LTD.**

*A. Farber & Partners Inc.*

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## APPENDIX "A"

**Clothing for Modern Times Ltd.**  
**Assets and Liabilities Schedule**  
**Nov-11**  
**(Unaudited, \$C)**

<b>Assets</b>	Book Value	Notes	Estimated to Produce	
			Low	High
Cash at bank	241,478			
Accounts receivable (net)	166,498			
Inventory (as at Nov 7,11)	13,251,170	1		
Intercompany receivables	6,748,255	2		
Prepaid expenses and sundry assets	287,401			
Income Tax Recoveries	1,237,592	3		
Fixed assets and other	16,670,758	4		
	<u>38,603,151</u>		<u>13,868,298</u>	<u>16,703,393</u>
Less: Liabilities that rank, or may rank, ahead of Roynat Capital ("Roynat"):				
<i>Wage Earner Protection Program Act</i> claims		5	(434,500)	(434,500)
Key employee retention plans ("KERP")		5	(246,400)	(246,400)
Operational costs to assist with liquidation of inventory		5	(300,000)	(300,000)
			<u>(980,900)</u>	<u>(980,900)</u>
<b>Net Recoverable Assets after Priority creditors and prior to professional fees</b>			<u>12,887,398</u>	<u>15,722,493</u>
<b>Liabilities</b>				
<b>Secured Creditors</b>				
Roynat Capital Secured Debt			(7,293,423)	(7,293,423)
Crown Capital Secured Debt			(8,873,833)	(8,873,833)
CMT Sourcing Secured Debt			(6,793,988)	(6,793,988)
			<u>(22,961,244)</u>	<u>(22,961,244)</u>
Surplus/(Deficit) available for Unsecured Creditors			<u>(10,073,846)</u>	<u>(7,238,751)</u>
<b>Unsecured Creditors</b>				
Employee Severance and termination			384,132	384,132
Landlord claims pursuant to section 65.2(4) of the BIA			11,437,000	11,437,000
Trade and Other Unsecured Creditors			13,614,412	13,614,412
			<u>25,435,544</u>	<u>25,435,544</u>

**Notes**

- Inventory includes all available inventory for the CB, UB and CBX stores at November 7, 2011. The Proposal Trustee has reviewed the inventory appraisal conducted by Great American Group in July 2011 and has relied on the valuation for the purposes of valuing the inventory on an orderly liquidation basis.
- Intercompany receivable comprises an intercompany loan account with CMT Wholesale Corp. The assets in CMT Wholesale Corp. are subject to the security interests of the secured lenders. Accordingly, the realizable value of assets of CMT Wholesale Corp. have been estimated for the purposes of valuing the estimated recoverable assets for the benefit of CMT.
- The Company has advised that provincial income tax recoveries have been assessed by CRA and the Company expects to receive payment shortly.
- Fixed Assets include Long Term Investments, Capital Assets and Deferred Charges. The largest portion of the Capital Assets is leasehold improvements to outfit store locations. Long Term Investments and Deferred Charges have been valued based on discussions with management and Capital Assets, comprising of furniture and equipment, computer hardware and software, trademarks and leasehold improvements, have been valued based on discussions with management and estimated recoveries from a liquidation sale
- Liabilities that may rank ahead of secured lenders include wage earner protection plan payments to employees for unpaid wages and vacation pay, KERP payments, approved by the Ontario Superior Court of Justice, and estimated liquidation costs that may be incurred in an orderly liquidation of inventory and other assets.



IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF  
CLOTHING FOR MODERN TIMES LTD.

Court File No: 31-1513595

***ONTARIO***  
**SUPERIOR COURT OF JUSTICE**  
**IN BANKRUPTCY**

Proceeding commenced at Toronto

**SUPPLEMENTAL REPORT TO THE  
FIFTH REPORT OF  
THE PROPOSAL TRUSTEE  
(dated November 16, 2011)**

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