

COURT FILE NUMBER

25-2251814
25-2251817

Clerk's Stamp

COURT

COURT OF QUEEN'S BENCH OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE

CALGARY

APPLICANT

IN THE MATTER OF THE DIVISION I PROPOSAL
PROCEEDINGS OF COMFORTABLE IMAGE INC.
and WATCH IT! INCORPORATED

DOCUMENT

APPLICATION

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

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NOTICE TO RESPONDENT(S)

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the master/judge.

To do so, you must be in Court when the application is heard as shown below:

Date: May 19, 2017
Time: 2:00 pm
Where: Calgary Courts Center
Before Whom: Justice C.M. Jones

Go to the end of this document to see what else you can do and when you must do it.

Remedy Claimed or Sought: Comfortable Image Inc. and Watchit! Incorporated (collectively, the "**Debtors**") apply for an order, substantially in the form attached as Schedule "**A**" hereto:

1. Declaring that the time for service of this Application and the Affidavit of Darren Bondar, sworn on May 16, 2017 ("**Bondar Affidavit**"), is abridged, if necessary, the Application is properly returnable today, that service of the Application and the Bondar Affidavit on the service list created and maintained in respect of the within proceedings (the "**Service List**") is validated, good and sufficient and that no persons other than those on the Service List are entitled to service of the materials filed in connection with the within Application.

2. Declaring that A. Farber & Partners Inc. (the “**Proposal Trustee**”), counsel to the Proposal Trustee and counsel to the Debtors shall be paid their reasonable fees and disbursements (including any pre-filing fees and disbursements), in each case at their standard rates and charges, by the Debtors as part of the costs of the proposal proceedings.
3. Granting a charge over all of the Debtors’ property, assets and undertaking in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise, apart from the secured claims of Nixon Inc., Xerox Canada Ltd., Citizen Watch Company of Canada, Ltd., and Bulova Watch Company Ltd. and certain of the security held by Bankers Hall LP, bclMC Realty Corporation, Bankers Hall GP Trust, and Bankers Hall GP Inc. in an amount not to exceed \$300,000 in aggregate in favour of the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Debtors in order to secure payment of their respective reasonable fees and disbursements incurred at their standard rates and charges.
4. Administratively consolidating the proposal proceedings of WII and CII into a single consolidated proceeding.
5. Such further and other relief as counsel for the Applicant may advise and this Honourable Court may permit.

Grounds for Making this Application: The grounds for the Application are as follows:

6. On May 15, 2017, the Debtors both filed a Notice of Intention to Make a Proposal (the “**NOI**”) pursuant to section 50.4 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the “**BIA**”) as amended. A. Farber & Partners Inc. was named as proposal trustee in the Debtors’ NOIs.
7. The Debtors are in the business of conducting a retail operation that specializes in the sale of higher-end watches and sunglasses. The Debtors have 15 corporate locations and 17 franchise locations located in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.
8. The Proposal Trustee and its counsel, together with the Debtors’ counsel are integral to the success of the Proposal Proceedings. The Debtors constrained cash-flows are such that it is impracticable for the Debtors to pay retainers to the Proposal Trustee and counsel. The Proposal Trustee and Debtors counsel, in particular, have agreed to delay payment for a

significant portion of pre-filing fees incurred in recent weeks on the understanding that the Debtors would seek court authorization for payment of such fees and charges together with an order granting a charge securing payment of such fees and charges.

9. The secured creditors, most directly impacted by the proposed charge, either consent to or do not oppose the granting of the charge.

10. Such further and other grounds as counsel for the Debtors may advise and this Honourable Court may permit.

Material or Evidence to be Relied On: The Applicants will rely on the following evidence:

11. The Affidavit of Darren Bondar, sworn on May 16, 2017;

12. The First Report of the Proposal Trustee, to be filed; and

13. Such further and other evidence as counsel for the Applicant may advise.

Applicable Rules:

14. Rules 6.3(1) and 6.9 of the *Alberta Rules of Court*.

15. Such further and other rules as counsel for the Applicants may advise and this Honourable Court may permit.

Applicable Acts and Regulations:

16. The *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, sections 43(4), 64.2 and 66(1);

17. Such further and other acts and regulations as counsel for the Applicants may advise and this Honourable Court may permit.

Any Irregularity Complained of or Objection Relied On:

18. There are no irregularities complained of, or objections relied on.

How the Application is Proposed to be Heard or Considered:

19. The Applicants propose that the Application be heard in person with one, some, or all of the parties present.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to rely on an affidavit or other evidence when the application is heard or considered, you must reply by giving reasonable notice of the material to the applicants.

SCHEDULE "A"

COURT FILE NUMBER	25-2251814 25-2251817
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF COMFORTABLE IMAGE INC. and WATCH IT! INCORPORATED
DOCUMENT	ORDER (TO APPROVE ADMINISTRATIVE CHARGE / ADMINISTRATIVELY CONSOLIDATE PROCEEDINGS)
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	McCARTHY TÉTRAULT LLP Barristers & Solicitors Sean Collins / Walker MacLeod Suite 4000, 421 - 7 Avenue S.W. Calgary, AB T2P 4K9 Phone: 403-260-3531 Fax: 403-260-3501 Email: scollins@mccarthy.ca

Clerk's Stamp

DATE ON WHICH ORDER WAS PRONOUNCED:	May 19, 2017
LOCATION OF HEARING OR TRIAL:	Calgary, Alberta
NAME OF MASTER/JUDGE WHO MADE THIS ORDER:	Justice C.M. Jones

UPON THE APPLICATION of Comfortable Image Inc. and WatchIt! Incorporated (collectively, the "**Debtors**"), **AND UPON** having read the Affidavit #1 of Darren Bondar, sworn on May 16, 2017 (the "**Bondar Affidavit**"), filed; **AND UPON** having read the First Report of the Proposal Trustee, filed; **AND UPON** having read the Affidavit of Service of Katie Doran, sworn May •, 2017 (the "**Service Affidavit**"), filed; **AND UPON** hearing counsel to the Debtors, counsel to the Proposal Trustee, and counsel present for other parties;

IT IS HEREBY ORDERED AND DECLARED THAT:

1. The time for service of the corresponding Application and the Bondar Affidavit is abridged to the date parties were served, the Application is properly returnable today, service of the Application and the Bondar Affidavit on the service list prepared by the Debtors and maintained in these proceedings (the "**Service List**"), in the manner described in the Affidavit of

Service, is validated, good and sufficient and no other persons are entitled to service of the Bondar Affidavit or the Application.

2. The Proposal Trustee, counsel to the Proposal Trustee and counsel to the Debtors shall be paid their reasonable fees and disbursements (including any pre-filing fees and disbursements), in each case at their standard rates and charges, by the Debtors as part of the costs of the Proposal Proceedings.

3. That the Proposal Trustee (including in its capacity as trustee in bankruptcy, if applicable), counsel to the Proposal Trustee (including in its capacity as counsel for the trustee in bankruptcy, if applicable) and counsel to the Debtor, shall be entitled to the benefit of and are hereby granted a charge (the “**Administrative Charge**”) on the all of the Debtors’ property, assets and undertaking in priority to all other security interests, trusts, liens, and encumbrances, claims of secured creditors, statutory or otherwise, other than those secured creditors listed in paragraph 5 in an amount not to exceed \$300,000, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order in respect of these proceedings.

4. That the filing, registration or perfection of the Administrative Charge shall not be required, and that the Administrative Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recoded or perfected subsequent to the Administrative Charges coming into existence, notwithstanding any failure to file, register, record or perfect.

5. That the Administrative Charge shall constitute a charge in the amount of \$225,000 in respect of Comfortable Image Inc. and \$75,000 in respect of WatchIt! Incorporated over their respective property, assets and undertaking in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise, and the Administrative Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise, in favour of any person, notwithstanding the order of perfection or attachment (collectively, the “**Encumbrances**”) except for security held by:

(a) Xerox Canada Ltd.;

(b) Nixon Inc.;

- (c) Citizen Watch Company of Canada, Ltd.;
- (d) Bulova Watch Company Ltd.;
- (e) Bankers Hall LP, bcIMC Realty Corporation, Bankers Hall GP Trust, and Bankers Hall GP Inc. (collectively, "Bankers Hall") with respect to the property described and defined as the "Priority Collateral" in the Priorities Agreement dated and made effective November 19, 2014 among Bankers Hall and Raanan Katz, Matthew Wosk and Bob Haber

6. That the Administrative Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargee entitled to the benefit of the Administrative Charge (the "**Chargees**") thereunder shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any motion(s) or application(s) for bankruptcy order(s) issued pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "**BIA**"), or any bankruptcy order made pursuant to such motions or applications; (c) the filing of any assignments for the general benefit of creditors made or deemed to have been made pursuant to the BIA; or (d) the provisions of any federal or provincial statutes.

7. The Notice of Intention Proceedings of Watchit! Incorporated and Comfortable Image Inc. be and the same are hereby administratively consolidated. The Clerk of the Court is hereby directed to open a single, consolidated file for both proceedings. .

8. Service of this Order by email, facsimile, registered mail, courier or personal delivery to the persons listed on the Service List shall constitute good and sufficient service of this Order, and no persons other than those listed on the Service List are entitled to be served with a copy of this Order.

J.C.Q.B.A.