



**First Report to Court of
KSV Kofman Inc. as
Court Appointed Receiver of
Danier Leather Inc.**

April 27, 2016

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COURT FILE NO.: CV16-11322-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF AN APPLICATION UNDER SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, C. C.43, AS AMENDED

AND IN THE MATTER OF THE RECEIVERSHIP OF DANIER LEATHER INC., A CORPORATION INCORPORATED PURSUANT TO THE LAWS OF THE PROVINCE OF ONTARIO, WITH A HEAD OFFICE IN THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

FIRST REPORT OF KSV KOFMAN INC.
AS COURT APPOINTED RECEIVER OF
DANIER LEATHER INC.

APRIL 27, 2016

1.0 Introduction

1. On February 4, 2016, Danier Leather Inc. (the “Company”) filed a Notice of Intention to Make a Proposal (“NOI”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act* R.S.C. 1985, c. B-3, as amended, and KSV Kofman Inc. (“KSV”) was appointed proposal trustee in the Company’s NOI proceedings (the “Proposal Trustee”).
2. In accordance with an Order of the Ontario Superior Court of Justice (Commercial List) (“Court”) made on February 8, 2016 (“SISP Order”), the Company, with the assistance of its financial advisor, Consensus Advisory Services LLC and Consensus Securities LLC, and the Proposal Trustee, carried out a sale and investor solicitation process (“SISP”).
3. As a result of the SISP, the Company entered into an Agency Agreement (“Agency Agreement”) with a contractual joint venture comprised of Merchant Retail Solutions, ULC and Gordon Brothers Canada ULC (jointly, the “Agent”) to liquidate the inventory, furniture, fixtures and equipment in 76 of its store locations.

4. As described in some additional detail below, the SISP resulted in a number of offers for discrete assets of the Company (including certain leases). Other than the Agency Agreement, no additional sale transactions were completed during the NOI proceedings through the SISP.
5. On March 21, 2016, the Company made an assignment in bankruptcy and KSV was appointed as Trustee in Bankruptcy of the Company's bankrupt estate ("Trustee").
6. Pursuant to an Order of the Court made on March 21, 2016 ("Receivership Order"), KSV became Receiver (the "Receiver") of the Company's properties, assets and undertakings pursuant to Section 101 of the *Courts of Justice Act*, R.S.O. 190, c. C.43, as amended. A copy of the Receivership Order is attached as Appendix "A".
7. This report is filed by KSV in its capacity as Receiver.

1.1 Purposes of this Report

1. The purposes of this report ("Report") are to:
 - a) provide background information about the Company;
 - b) summarize a transaction (the "Transaction") contemplated by an Offer to Purchaser (the "Offer to Purchase") between the Company and Michael Kors (Canada) Holdings Ltd. (the "Assignee") dated February 22, 2016 (as amended, extended, supplemented, restated and/or amended and restated from time to time, including by the Agreement Confirming Purchase Agreement between the Receiver and the Assignee dated April 27, 2016 (the "Confirming Agreement"), the "Assignment Agreement") with respect to the Company's Halton Hills lease and certain assets related thereto ("Purchased Assets"). The Offer to Purchase and the Confirming Agreement are attached as Appendix "B" and "C", respectively; and
 - c) recommend that the Court issue an Order, *inter alia*:
 - i. Approving the Transaction;
 - ii. Ratifying the Receiver's execution of the Assignment Agreement and authorizing the Receiver to execute all other ancillary documents and agreements required to complete the Transaction; and
 - iii. Vesting in the Assignee the Receiver's and the Company's right, title and interest in and to the Purchased Assets free and clear of all liens, charges and security interests and other encumbrances.

1.2 Currency

1. All currency references in this Report are to Canadian dollars.

1.3 Restrictions

1. In preparing this Report, the Receiver has relied upon the Company's books and records and discussions with its representatives and advisors. The Receiver has not performed an audit or other verification of such information.

2.0 Background

1. The Company was founded in 1972. The Company was Canada's largest retailer of leather apparel and accessories. The Company's subordinated voting shares were listed on the Toronto Stock Exchange ("TSX") and, until February 4, 2016, traded under the symbol "DL". On February 4, 2016, the Investment Industry Regulatory Organization of Canada issued a cease trade order in respect of the shares. On March 17, 2016, the Company's shares were delisted from the TSX.
2. The Company leases its Toronto based head office (the "St. Clair Facility"). The St. Clair Facility also served as the Company's manufacturing, warehouse and distribution center. The Company also leases a separate distribution facility in Toronto.
3. The Company's merchandise is predominantly marketed under the "Danier" brand name. As at the date of this Report, the Company's merchandise continues to be sold by the Agent at 40 leased stores across Canada. Since the date of receivership, the Agent has vacated 36 stores - 35 of the store leases have been disclaimed by the Trustee, as authorized by the estate inspectors, and the Halton Hills' premises is vacant pending the closing of the Transaction. The last day of business at the Halton Hills' premises was April 25, 2016.
4. As a result of the bankruptcy, all of the Company's employees were terminated on the date of bankruptcy. Pursuant to the terms of the Receivership Order, the Receiver engaged substantially all of the Company's former employees on a temporary and day-to-day basis to assist with the wind-down of the Company's business. The Company's workforce is not unionized and the Company does not maintain a pension plan.
5. Additional information about the Company's insolvency proceedings is available on the Trustee's website at: <http://www.ksvadvisory.com/insolvency-cases-2/danier-leather-inc/>.

3.0 Assignment Agreement

1. As part of the SISP, the Company's real property leases were marketed for sale. As detailed in the Proposal Trustee's Third Report to Court, a copy of which is attached as Appendix "D" (without appendices), three offers were received for the lease to the Halton Hills premises. A summary of the offers will be provided to the Court upon request.

2. The Assignee's offer represented the best and highest offer made for the Halton Hills' lease.
3. On February 22, 2016, the Company entered into the Offer to Purchase with the Assignee for the Purchased Assets. The Offer to Purchase was acknowledged and agreed to by the Proposal Trustee on March 3, 2016. A copy of the letter acknowledging the Offer to Purchase is attached as Appendix "E". As a result of the bankruptcy and receivership that have occurred since the date of the Offer to Purchase, the Assignee and the Receiver entered into the Confirming Agreement to, *inter alia*, confirm that the Receiver would be bound by the Offer to Purchase.
4. The key terms and conditions of the Assignment Agreement are as follows¹:
 - a) Purchase Price: \$250,000
 - b) Purchased Assets: The right, title and interest of the Receiver and the Company in and to the Halton Hills lease, including all renewal options relating thereto and in the leasehold improvements, trade fixtures and equipment situated in the Halton Hills premises on the Closing Date and all plans and drawings relating thereto.
 - c) Conditions:
 - i. The Halton Hills lease shall not have been modified or disclaimed;
 - ii. No legal proceedings shall be pending or threatened by any person to enjoin, restrict or prohibit the sale of the Purchased Assets;
 - iii. the Court shall have issued the Approval and Vesting Order; and
 - iv. The Landlord² shall have consented in writing to the assignment of the Halton Hills' lease in favour of the Assignee.
 - d) Closing Date: The later of:
 - i. the third Business Day following the issuance by the Court of the Approval and Vesting Order; and
 - ii. five Business Days following notice to the Assignee that the liquidation of inventory at the Halton Hills premises is complete.
5. The only remaining condition is the Court's granting of the proposed Approval and Vesting Order. The Landlord consent was received on April 22, 2016.

¹ Capitalized terms not otherwise defined have the meaning provided to them in the Assignment Agreement.

² The landlord for the Halton Hills' premises is Halton Hills Shopping Centre Partnership.

3.1 Recommendation

1. For the following reasons, the Receiver recommends that the Court issue an order approving the Transaction and vesting clean title to the Purchased Assets in the Assignee:
 - a) The SISP, including the marketing of the Company's leased stores, was conducted in accordance with the SISP Order;
 - b) The Offer to Purchase was the highest and best offer received pursuant to the SISP;
 - c) The offer is unconditional but for the issuance of the Approval and Vesting Order; and
 - d) As a result of the Transaction, claims against the estate will be reduced.

4.0 Conclusion and Recommendation

1. Based on the foregoing, the Receiver respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1(1)(c) of this Report.

* * *

All of which is respectfully submitted,

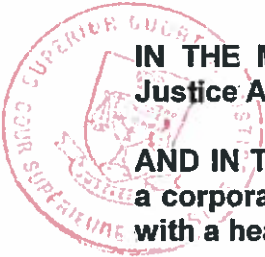


**KSV KOFMAN INC.
IN ITS CAPACITY AS COURT APPOINTED RECEIVER OF
DANIER LEATHER INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

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

THE HONOURABLE)
)
MS. JUSTICE CONWAY)
)
MONDAY, THE 21st
DAY OF MARCH, 2016



IN THE MATTER OF an application under section 101 of the Courts of Justice Act, R.S.O. 1990, c. C.43, as amended

AND IN THE MATTER OF THE RECEIVERSHIP OF DANIER LEATHER INC., a corporation incorporated pursuant to the laws of the Province of Ontario, with a head office in the City of Toronto, in the Province of Ontario

**ORDER
(appointing Receiver)**

THIS APPLICATION made by Danier Leather Inc. (the "Debtor") for an Order pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing KSV Kofman Inc. as receiver (in such capacity, the "Receiver") without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Brent Houlden sworn March 17, 2016 and the Exhibits thereto and the Fourth Report of KSV Kofman Inc. in its capacity as proposal trustee of the Debtor (in such capacity, the "Proposal Trustee"), and on hearing the submissions of counsel for the Debtor and the Proposal Trustee, Chaitons LLP, counsel for the directors and officers of the Company, Torys LLP, counsel for The Cadillac Fairview Corporation, McLean & Kerr LLP, counsel for 20 Vic Management, Morguard, Ivanhoe Cambridge and SmartREIT Calloway and on being advised that all persons on the service list were served with the materials filed in connection with this application as

appears from the affidavit of service, filed, and on reading the consent of KSV Kofman Inc. to act as the Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of this Application is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 101 of the CJA, immediately following the Debtor becoming bankrupt (as defined in the *Bankruptcy and Insolvency Act* ("BIA")) (the "Effective Time"), KSV Kofman Inc. is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "Property").

3. THIS COURT ORDERS AND DIRECTS the Receiver to file with the Court a copy of a Receiver's certificate in the form attached as Schedule A hereto forthwith after the Effective Time.

RECEIVER'S POWERS

4. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel (including counsel to the Debtor) and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's

name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;

- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to continue the marketing of any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (k) to continue the retention of Consensus Advisory Services LLC and Consensus Securities LLC (collectively, "Consensus") on the terms contained in an agreement between Consensus and the Debtor dated December 31, 2015 (the "Consensus Agreement"), in which case Consensus shall be deemed to be the agent of the Receiver and the Consensus Agreement shall be deemed amended *mutatis mutandis*;
- (l) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$250,000, provided that the aggregate consideration for all such transactions does not exceed \$750,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price

exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act* shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (m) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (n) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property, provided however that that this Order shall not be registered on title to real property premises leased by the Debtor;
- (p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (q) to enter into agreements with any trustee in bankruptcy (the "Bankruptcy Trustee") appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;

- (r) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have;
- (s) to perform the Debtor's obligations under the agency agreement entered into between the Debtor and the contractual joint venture comprised of Merchant Retail Solutions, ULC and Gordon Brothers Canada ULC made as of February 29, 2016 (the "Agency Agreement") and the transactions contemplated thereby, and to take such additional steps and execute such additional documents as may be necessary or desirable to implement the Agency Agreement and each of the transactions contemplated therein, provided however that if the Receiver elects to perform under the Agency Agreement, then it shall comply with all of the Debtor's obligations under the Approval Order made March 7, 2016 (Court File No. 31-2084381) and the Sale Guidelines appended thereto;
- (t) to pay for goods or services actually supplied to the Debtor on or after February 4, 2016; and
- (u) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor and the Bankruptcy Trustee, and without interference from any other Person. For clarification purposes, if the assignment of a real property lease requires the consent of a landlord, then such lease can only be assigned by the Receiver upon receipt of the required consent of the applicable landlord. Notwithstanding the foregoing, the Receiver shall not disclaim any real property leases and the terms of such real property leases shall remain unaffected by this Order.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

5. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

6. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 6 or in paragraph 7 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

7. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems

expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

8. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

10. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

11. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll and benefits services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

CASH MANAGEMENT

13. THIS COURT ORDERS that the Receiver shall be entitled to continue to utilize the cash management system of the Debtor that was in place immediately prior to the bankruptcy of the Debtor as described in the Fourth Report or to replace it with another substantially similar cash management system (the "Cash Management System") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use of application by the Receiver of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, and shall be entitled

to provide the Cash Management System without any liability in respect thereof to any Person other than the Receiver, pursuant to the terms of the documentation applicable to the Cash Management System.

EMPLOYEES

14. THIS COURT ORDERS that each individual who was employed by the Debtor immediately prior to the Debtor becoming bankrupt (as defined in the BIA) who provides services to the Receiver after the Effective Time shall be deemed to have been engaged by the Receiver on a temporary and day-to-day basis, and shall be paid the same hourly or daily rate, as applicable, as such employee was most recently paid by the Debtor. The Receiver shall notify each such individual when its engagement by the Receiver is being terminated, and such individuals shall not be entitled to any other notice of termination, or pay in lieu thereof, or any other payments or other entitlements whatsoever in connection with their termination by the Receiver.

15. THE COURT ORDERS that the Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as specifically provided for in paragraph 14, as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

16. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver may disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information.

The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

17. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

18. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

19. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall rank *pari passu* with the Administration Charge and the Consensus Charge (each as defined in Order dated February 8, 2016 in the within proceeding). For greater certainty, the Receiver's Charge shall constitute a charge on the Property and 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, other than the Administration Charge (which shall rank *pari passu* with the Receiver's Charge) and the security interests listed on Schedule B hereto.

20. THIS COURT ORDERS that if requested by the Court, the Debtor or any other interested party, the Receiver and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

21. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

SERVICE AND NOTICE

22. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "Protocol") is approved and adopted by reference herein and, in this proceeding, the

service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/commercial/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that the Case Website to be utilized in accordance with the Protocol shall be <http://www.ksvadvisory.com/insolvency-cases-2/danier-leather-inc/>, which is the Case Website previously created by the Proposal Trustee.

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

GENERAL

24. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

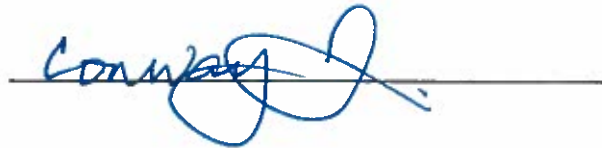
25. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

26. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies

are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

27. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

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



ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO.
LE / DANS LE REGISTRE NO.



MAR 21 2016

Schedule A – Form of Receiver’s Certificate

Court File No. CV16-11322-00CL

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

IN THE MATTER OF an application under section 101 of the Courts of Justice Act, R.S.O. 1990, c. C.43, as amended

AND IN THE MATTER OF THE RECEIVERSHIP OF DANIER LEATHER INC., a corporation incorporated pursuant to the laws of the Province of Ontario, with a head office in the City of Toronto, in the Province of Ontario

RECEIVER’S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable [•] of the Ontario Superior Court of Justice (the "Court") dated March 21, 2016 (the "Appointment Order"), KSV Kofman Inc. was appointed as the receiver (the "Receiver") of the undertaking, property and assets of Danier Leather Inc. (the "Debtor"), which appointment was to take effect immediately following the Debtor becoming bankrupt (as defined in the *Bankruptcy and Insolvency Act*).

B. Pursuant to the Appointment Order, the Receiver was directed to file with the Court a copy of a certificate forthwith after the Effective Time (as defined in the Appointment Order).

THE RECEIVER CERTIFIES the following:

1. The Effective Time occurred at _____ [TIME] on _____ [DATE].

**KSV KOFMAN INC., in its capacity as
Receiver of the undertaking, property
and assets of DANIER LEATHER INC.,
and not in its personal capacity**

Per: _____

Name:

Title:

Schedule B

Security

Province	Registration Type	Secured Party	Debtor	Collateral Classification	General Collateral Description	Reference File No. Registration No. Registration Period
ON	Financing Statement	Hewlett-Packard Financial Services Canada Company Compagnie de Services Financiers Hewlett-Packard Canada	Danier Leather Inc.	E, O	Enterprise business lease agreement. Any and all equipment, tangible and intangible, pursuant to Enterprise Business Lease Agreement Number 80218, and amendments thereto, and all amounts owing thereunder.	691248897 20131022 1419 8077 7738 (4 years)
	Financing Statement	Honda Canada Finance Inc.	Danier Leather Inc.	CG, E, MV	2013 Honda Crosstour, VIN 5J6TF2H50DL800321 00000170840948	686530134 20130501 0848 9221 7960 (3 years)
	Financing Statement	Canadian Imperial Bank of Commerce, as Agent	Danier Leather Inc.; Les Cuirs Danier Inc.; Danier Leather Inc. Les Cuirs Danier Inc.; Les Cuirs Danier Inc. Danier Leather Inc.	I, E, A, O, MV		862972605 20000619 1437 9065 9354 (6 years)
	Renewals					20060418 1450 1529 2801 20110331 1945 1531 9117
	Financing Statement	Canadian Imperial Bank of Commerce	Royal Leather Goods Inc.	I, E, A, O, MV		060405687 19941125 1636 0043 6335 (10 years)

Province	Registration Type	Secured Party	Debtor	Collateral Classification	General Collateral Description	Reference File No. Registration No. Registration Period
	Amendment					19980114 1459 0043 4014
	Amendment					19990812 1439 1530 8902
	Renewals					20000518 1502 0043 7239 20071105 1440 1530 0827 20121023 1446 1530 0483
	Bank Act	Canadian Imperial Bank of Commerce	Danier Leather Inc.			01266950
	Bank Act	Canadian Imperial Bank of Commerce	Danier Leather Inc.			01294235
BC	Financing Statement	Canadian Imperial Bank of Commerce	Danier Leather Inc.		All of the debtor's present and after acquired personal property as defined in Personal Property Security Act.	7670185 (5 years)
	Amendments					8419503 8933730
	Renewals					8874815 645068D 622561G
AB	Financing Statement	Canadian Imperial Bank of Commerce	Danier Leather Inc.		All of the debtor's, present and after acquired personal property as defined in Personal Property Security Act.	98052619974
	Amendments					99081312300 00062025879

Province	Registration Type	Secured Party	Debtor	Collateral Classification	General Collateral Description	Reference File No. Registration No. Registration Period
	Renewals					00051805190 07050129456 12030715414
SK	Financing Statement	Canadian Imperial Bank of Commerce	Danier Leather Inc.		All of the debtor's present and after-acquired personal property.	115109763
	Amendment					
	Renewals					
MB	Financing Statement	Canadian Imperial Bank of Commerce	Danier Leather Inc.		All debtor's, present and after acquired personal property as defined in Personal Property Security Act. Collateral Classification: Mixed	980527107800
	Amendments					990816106346 000621112015 201505474614
	Renewals					000518110063 200219479718 200904887616 201322404315
NB	Financing Statement	Canadian Imperial Bank of Commerce	Danier Leather Inc.		All of the debtor's present and after acquired personal property as defined in Personal Property Security Act.	3554380
	Amendments					5043516 6040651
	Renewals					5916976 14795058 21195961

Province	Registration Type	Secured Party	Debtor	Collateral Classification	General Collateral Description	Reference File No. Registration No. Registration Period
NS	Financing Statement	Canadian Imperial Bank of Commerce	Danier Leather Inc.		All of the debtor's present and after acquired personal property as defined in Personal Property Act.	622159
	Amendments					2095565 2951997 3036663
	Renewals					2952013 12356523 19244631
	Financing Statement	Canadian Imperial Bank of Commerce	Danier Leather Inc.		A security interest is taken in all of the debtor's present and after-acquired personal property.	2930868
	Amendment					3036716
	Renewals					12356531 19244649
NFLD	Financing Statement	Canadian Imperial Bank of Commerce	Danier Leather Inc.		A security interest is taken in all of the debtor's present and after acquired personal property.	287128
	Amendment					363978
	Renewals					5656113 9790826

REGISTER OF PERSONAL AND MOVABLE REAL RIGHTS

	Registration number	Nature Amount	Parties	Description of Property (Summary)	Comments
	Registration Date				
	Expiration Date				
1.	95-0046164-0001 April 27, 1995 April 27, 2005 Renewed until April 7, 2023	Conventional hypothec without delivery \$23,000,000 with interest at the rate of 25% per annum.	Creditor: Canadian Imperial Bank of Commerce Debtor: Royal Leather Goods Limited; Royal Leather Goods Limited, acting under the name: Danier	See SCHEDULE 1	Deed under private writing dated February 28, 1995. Change of name 00- 0176618-0002 on June 27, 2000: Former name: Royal Leather Goods Limited New name: Danier Leather Inc. Change of name 00- 0176618-0003 on June 27, 2000: Former name: Danier Leather Inc. New name: Danier Leather Inc.; Les Cuir Danier Inc.
2.	98-0101734-0001 August 10, 1998 July 16, 2008 Renewed until June 13, 2018	Conventional hypothec without delivery \$37,375,000 with interest at the rate of 25% per annum.	Creditor: Banque Canadienne Impériale de Commerce Debtor: Danier Leather Inc.	Universality of property in stock, present and future; Universality of claims, present and future; Universality of equipment, present and future; Insurance and expropriation indemnities pertaining to the hypothecated property. ¹	Deed under private writing dated July 16, 1998.

¹ The description of the charged property which appears in the registration statement on which this report is based is in French. The description as contained in this report has been translated into English for your convenience only. The French version of the description as it appears in the registration statement is the only description which governs and which has force of law.

	Registration number Registration Date Expiration Date	Nature Amount	Parties	Description of Property (Summary)	Comments
3.	00-0194829-0001 July 13, 2000 July 13, 2010 Renewed until June 7, 2018	Conventional hypothec without delivery \$54,000,000.00 in legal tender of Canada (the "Principal") with interest at the rate of 25% per annum and an amount equal to 15% of the Principal.	Creditor : Canadian Imperial Bank of Commerce Debtor: Danier Leather Inc.; Les Cuirs Danier Inc.; Danier Leather Inc./Les Cuirs Danier Inc., acting under the names: Les Cuirs Danier; Danier Leather; Danier	See SCHEDULE 2	Notarial deed dated July 13, 2000, before Paul Anthony Laberge, notary, under minute number 12419.
4.	15-0105487-0001 February 10, 2015 February 10, 2025	Conventional hypothec without delivery \$46,000,000.00 in legal tender of Canada with interest at a rate of 25% per annum; including an additional amount equal to 15% of the principal amount of the hypothec of \$40,000,000.00.	Creditor : Canadian Imperial Bank of Commerce Debtor: Danier Leather Inc.; Les Cuirs Danier Inc.	See SCHEDULE 3	Notarial deed dated February 10, 2015, before Cristina Napoleoni, notary, under minute number 249. Mention: This hypothec is granted to secure the payment of obligations pursuant to article 2692 of the Civil Code of Québec. The Agent authorizes the Grantor to collect the Claims. This authorization may be withdrawn by the Agent upon the occurrence of an Event of Default (as defined in the deed of hypothec referred to under the heading "Référence à l'acte constitutif") which is continuing.

SCHEDULE 1

THE UNIVERSALITY OF GRANTOR'S PROPERTY, BOTH PRESENT AND FUTURE, CORPOREAL AND INCLUDING WITHOUT LIMITATION; PROPERTY IN STOCK, CLAIMS, EQUIPEMENT AND ALL OF THE GRANTOR'S PRESENT AND AFTER ACQUIRED REAL PROPERTY, TOGETHER WITH ALL BUILDINGS PLACED, INSTALLED OR ERECTED ON ANY SUCH REAL PROPERTY AND ALL FIXTURES AND ALL OF THE GRANTORS PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY AND UNDERTAKING WHERE:

"PROPERTY IN STOCK" MEANS THE UNIVERSALITY OF ALL EXISTING AND FUTURE PROPERTY IN STOCK OWNED BY THE GRANTOR OR HELD ON HIS BEHALF, INCLUDING MOVEABLE PROPERTY HELD FOR THE PURPOSE OF BEING SOLD, RENTED OR ALTERED BY MEANS OF TRANSFORMATION OR MANUFACTURING PROCESS OF A GOOD DESTINED FOR SALE OR FOR RENT OR WITH RESPECT TO SERVICES OFFERED, OR GOODS HELD BY THIRD PARTIES WITH RESPECT TO A RENTAL AGREEMENT, LEASING CONTRACT, FRANCHISE CONTRACT OR LICENCE OR OTHER AGREEMENT EXECUTED WITH THE GRANTOR, REGARDING RAW MATERIALS, MANUFACTURED OR SEMIMANUFACTURED OR TREATED MATERIALS OR PRODUCTS, OR GOODS USED FOR PACKAGING, MINERAL OR PETROLEUM SUBSTANCES, ANIMALS OR FOODSTUFFS. GOODS THAT WERE PART OF ANY GOODS IN STOCK WHICH, PURSUANT TO AN ALIENATION CONTRACT EXECUTED WITH RESPECT THERETO FOR THE BENEFIT OF A THIRD PARTY, SHALL REMAIN THE PROPERTY OF THE GRANTOR PURSUANT TO A RESERVATION OF OWNERSHIP IN ITS FAVOUR, AND SHALL BE DEEMED TO BE PROPERTY IN STOCK AS LONG AS THE OWNERSHIP THEREOF IS NOT TRANSFERRED TO SUCH THIRD PARTIES; ARE ALSO DEEMED TO BE PROPERTY IN STOCK, GOODS WHICH, AFTER HAVING BEEN ALIENATED, HAVE AGAIN BECOME THE PROPERTY OF THE GRANTOR AS A RESULT OF A RESOLUTION, TERMINATION OR REPOSSESSION.

"CLAIMS" MEANS THE UNIVERSALITY OF ALL CLAIMS, ACCOUNT BOOKS, ACCOUNTS RECEIVABLE, DEMANDS AND AMOUNTS OF ANY NATURE WHICH ARE PRESENTLY OWNED TO THE GRANTOR AND WHICH MAY BE OWNED TO HIM IN THE FUTURE, INCLUDING ALL THE DEMANDS AND BENEFITS WHICH ARE OR COULD BE OWNED TO THE GRANTOR IN THE FUTURE PURSUANT TO ANY INSURANCE POLICY WHATSOEVER AND ALL OF THE GRANTOR'S RIGHTS TO THE CREDIT BALANCE OF THE ACCOUNTS HELD ON HIS BEHALF BY THE TITULAIRE (SUBJECT TO THE LATTER'S RIGHTS OF COMPENSATION) OR BY ANY FINANCIAL INSTITUTION OR OTHER PERSON, THE WHOLE ALSO INCLUDING ANY JUDGEMENTS AND OTHER ACCESSORIES, HYPOTHECS, RIGHTS AND SECURITY RELATING THERETO AS WELL AS ANY DEEDS, DOCUMENTS, INSTRUMENTS, CONTRACTS, BILLS OF EXCHANGE, NOTES AND OTHER APPROPRIATE VOUCHERS AS WELL AS THE BOOKS AND FILES RELATING THERETO. A CLAIM, A RIGHT OR A DEMAND SHALL NOT BE EXCLUDED FROM THE CLAIMS SOLELY BECAUSE (O) THE DEBTOR IS DOMICILED OUTSIDE QUÉBEC OR (II) THE DEBTOR IS AN AFFILIATE (AS THIS TERM IS DEFINED IN THE CANADA BUSINESS CORPORATIONS ACT) OF THE GRANTOR OR THE DEBTOR OR (III) THE CLAIM, RIGHT OR DEMAND IS NOT RELATED TO THE BUSINESS OF THE GRANTOR, WHEN SUCH GRANTOR IS NOT A NATURAL PERSON.

"DEBTOR" MEANS ANY PERSON FOR WHOM THE GRANTOR IS A GUARANTOR WITH RESPECT TO HIS DEBTS OR OBLIGATIONS IN FAVOUR OF THE LENDERS.

"LOCATION" MEANS ALL OF THE LAND, CONSTRUCTIONS AND WORKS WHOSE ACQUISITION, DEVELOPMENT OR USE ARE FINANCED IN WHOLE OR IN PARTY BY MEANS OF THE FUNDS OBTAINED FROM THE TITULAIRE BY THE GRANTOR OR THE DEBTOR, AS THE CASE MAY BE, OR ANY PROPERTY CHARGED WITH A HYPOTHEC OR OTHER SECURITY SECURING THE INDEBTEDNESS, IN WHOLE OR IN PART.

"EQUIPMENT" MEANS THE UNIVERSALITY OF THE PRESENT AND FUTURE MACHINERY, TOOLS, PROFESSIONAL EQUIPMENT AND FURNITURE OWNED BY THE GRANTOR OR HELD ON HIS BEHALF AS WELL AS EXISTING AND FUTURE ACCESSORIES, ADDITIONS, REPAIRS AND SPARE PARTS THERETO, INCLUDING LOGGING AND FARM MACHINERY AND TOOLS.

WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE HYPOTHEC HEREBY CONSTITUTED ALSO CHARGES THE FOLLOWING UNIVERSALITIES OF PROPERTY:

(A) ALL THE FRUITS AND PRODUCTS OF THE SOIL, AND THE MATERIALS AND OTHER THINGS FORMING AN INTEGRAL PART OF AN IMMOVABLE, NOW OR IN THE FUTURE, AND WHICH ARE OWNED BY THE GRANTOR WHEN SUCH FRUITS, PRODUCTS, MATERIALS OR OTHER THINGS BECOME MOVABLES WITH A SEPARATE EXISTENCE ATTACHING TO THE HYPOTHECATED PROPERTY OR WITH RESPECT THERETO;

(B) THE PROCEEDS OF ANY SALE, RENTAL OR OTHER DISPOSITION OF THE HYPOTHECATED PROPERTY, ANY CLAIM RESULTING FROM SUCH SALE, RENTAL OR OTHER DISPOSITION AS WELL AS ANY PROPERTY ACQUIRED IN REPLACEMENT THEREOF (IT BEING UNDERSTOOD THAT THIS CLAUSE SHALL NOT BE INTERPRETED AS ALLOWING THE GRANTOR TO ENCUMBER THE HYPOTHECATED PROPERTY IN VIOLATION HEREOF);

(C) ALL THE EXISTING AND FUTURE INTELLECTUAL AND INDUSTRIAL PROPERTY RIGHTS OF THE GRANTOR AS WELL AS ALL EXISTING AND FUTURE PERMITS, LICENCES, AUTHORIZATIONS OR OTHER RIGHTS ATTACHING TO ITS ENTERPRISE OR TO THE HYPOTHECATED PROPERTY;

(D) ALL INSURANCE OR EXPROPRIATION INDEMNITIES PAYABLE WITH RESPECT TO THE HYPOTHECATED PROPERTY;

(E) ALL RIGHTS ATTACHING TO THE HYPOTHECATED PROPERTY AS WELL AS THE FRUITS AND REVENUES GENERATED THEREBY;

(F) ALL CONDITIONAL RIGHTS OR RIGHTS LIKELY TO BE DECLARED NULL REGARDING A CORPOREAL OR INCORPOREAL MOVABLE PROPERTY OWNED OR HELD BY THE GRANTOR OR ON ITS BEHALF; AND

(G) ALL THE TITLES, DOCUMENTS, REGISTERS, INVOICES AND ACCOUNTS EVIDENCING THE HYPOTHECATED PROPERTY OR WITH RESPECT THERETO.

SCHEDULE 2

The following universalities of property are charged by the hypothec constituted hereby:

Accessions;
Books and Records;
Claims;
Contracts;
Documents of Title;
Equipment;
Goods;
Instruments;
Intangibles;
Intellectual
Property Rights;
Inventory;
Money;
Permits;
Property in Stock;
Real Property; and
Securities.

Without limiting the generality of the foregoing, the hypothec hereby constituted also charges the following universalities of property:

(a) All the fruits and products of the soil, and the materials and other things forming an integral part of an immovable, now or in the future, and which are owned by the Constituant when such fruits, products, materials or other things become movables with a separate existence attaching to the Hypothecated Property or with respect thereto;

(b) The proceeds of any sale, rental or other disposition of the Hypothecated Property, any claim resulting from such sale, rental or other disposition as well as any property acquired in replacement thereof (it being understood that this clause shall not be interpreted as allowing the Constituant to encumber the Hypothecated Property in violation hereof);

(c) All the existing and future intellectual and industrial property rights of the Constituant as well as all existing and future permits, licences, authorizations or other rights attaching to its enterprise or to the Hypothecated Property;

(d) All insurance or expropriation indemnities payable with respect to the Hypothecated Property;

(e) All rights attaching to the Hypothecated Property as well as the fruits and revenues generated thereby;

(f) All conditional rights or rights likely to be declared null regarding a corporeal or incorporeal movable property owned or held by the Constituant or on its behalf; and

(g) All the titles, documents, registers, invoices and accounts evidencing the Hypothecated Property or with respect thereto.

The universality of all other movable or immovable property of whatsoever nature and wherever situated, now owned or hereafter acquired by the Constituant.

For the purposes hereof,
"Accessories" means Goods that are installed in or affixed to other Goods;

"Books and Records" means and refers to the universality of books, records, agreements and/or arrangements relating to Claims, Equipment and/or Inventory, including but not limited to: all records, ledgers, computer software, including, without limitation, programs, disc or tape files, and printouts, runs and other computer prepared information indicating, summarising or evidencing Claims, Intangibles, Equipment and/or Inventory;

"Claims" means the universality of all claims, account books, accounts receivable, demands and amounts of any nature which are presently owed to the Constituant and which may be owed to him in the future, including all the demands and benefits which are or could be owed to the Constituant in the future pursuant to any insurance policy whatsoever and all of the Constituant's rights to the credit balance of the accounts held on his behalf by the Agent (subject to the latter's rights of compensation) or by any financial institution or other person, the whole also including any judgements and other accessories, hypothecs, rights and security relating thereto as well as any deeds, documents, instruments, contracts, bills of exchange, notes and other appropriate vouchers as well as the books and files relating thereto. A claim, a right or a demand shall not be excluded from the Claims solely because (i) the debtor is domiciled outside Quebec or (ii) the debtor is an affiliate (as this term is defined in the Canada Business Corporations Act) of the Constituant or (iii) the claim, right or demand is not related to the business of the Constituant.

"Contracts" means all contracts, licenses and agreements to which the Constituant is now or in the future a party or pursuant to which the Constituant has acquired rights or in the future acquires rights, as such contracts may from time to time be amended, supplemented or otherwise modified, including (a) all present and future rights of the Constituant to receive Money or any other amounts or in connection therewith, (b) all present and future rights of the Constituant to damages arising out of, or for, breach or default in respect thereof, and (c) all present and future rights of the Constituant to perform and to exercise all remedies thereunder;

"Document of Title" means any writing that purports to be issued by or addressed to a person and purports to cover such Goods in such person's possession as are identified or fungible portions of an identified mass, and that in the ordinary course of business is treated as establishing that the person in possession of it is entitled to receive, hold and dispose of the document and the Goods it covers;

"Equipment" means the universality of the present and future machinery, tools, professional equipment and furniture owned by the tor or held on his behalf as well as existing and future accessories, additions, repairs and spare parts thereto, including logging and farm machinery and tools;

"Goods" means corporeal movable property other than Claims, Documents of Title, Instruments, Money and Securities, and includes fixtures, growing crops, the unborn young of animals, timber to be cut, and minerals and hydrocarbons to be extracted;

"Instrument" means, a bill, note or cheque within the meaning of the Bills of Exchange Act (Canada) or any other writing that evidences a right to the payment of money and is of a type that in the ordinary course of business is transferred by delivery with any necessary endorsement or assignment, or a letter of credit and an advice of credit if the letter or advice states that it must be surrendered upon claiming payment thereunder, but does not include a writing that constitutes part of a Claim, a Document of Title or a Security;

"Intangible" means all incorporeal movable property that is not Goods, Documents of Title, Instruments, Money or Securities;

"Intellectual Property Rights" means all past, present and future: trade secrets and other proprietary information; trademarks, service marks, business names, designs, logos, indicia, and/or other source and/or business identifiers of or used by the Constituant and the goodwill of the business relating thereto and all registrations or applications for registrations now or hereafter issued thereon throughout the world; copyrights (including, without limitation, copyrights for computer programs) of the Constituant or in which the Constituant has any right, title or interest and copyright registrations or applications for registrations now or hereafter issued throughout the world and all corporeal property embodying such copyrights; unpatented inventions (whether or not patentable) of the Constituant or in which the Constituant has any right, title or interest; patent applications and patents of the Constituant or in which the Constituant has any right, title or interest; industrial designs, industrial design applications and registered industrial designs of the Constituant or in which the Constituant has any right, title or interest; license agreements related to any of the foregoing and income therefrom; books, records, writings, computer tapes or disks, flow diagrams, specification sheets, source codes, object codes and other physical manifestations, embodiments or incorporations of any of the foregoing; the right to sue for all past, present and future

infringements of any of the foregoing; and all common law and other rights throughout the world in and to all of the foregoing;

"Inventory" means Goods that are held for sale or lease or that have been leased or that are to be furnished or have been furnished under a contract of service, or that are raw materials, work in process or materials used or consumed in a business or profession;

"Location" means all of the land, constructions, works and any other property charged with a hypothec or other security securing the Indebtedness, in whole or in part.

"Money" means a medium of exchange authorised or adopted by the Parliament of Canada as part of the currency of Canada or by a foreign government as part of its currency;

"Permits" means all permits, licenses, authorisations, approvals, franchises, rightsofway, servitudes and entitlements that the Constituant has, requires or is required to have, to own, possess or operate any of its property or to operate and carry on any part of its business;

"Property in Stock" means the universality of all existing and future property in stock owned by the Constituant or held on his behalf, including moveable property held for the purpose of being sold, rented or altered by means of transformation or manufacturing process of a good destined for sale or for rent or with respect to services offered, or goods held by third parties with respect to a rental agreement, leasing contract, franchise contract or licence or other agreement executed with the Constituant, regarding raw materials, manufactured or semimanufactured

or treated materials or products, or goods used for packaging, mineral or petroleum substances, animals or foodstuffs. Goods that were part of any goods in stock which, pursuant to an alienation contract executed with respect thereto for the benefit of a third party, shall remain the property of the Constituant pursuant to a reservation of ownership in its favour, and shall be deemed to be Property in Stock as long as the ownership thereof is not transferred to such third parties; are also deemed to be Property in Stock, goods which, after having been alienated, have again become the property of the Grantor as a result of a resolution, termination or repossession.

"Real Property" means the universality of all of the Constituant's right, title, estate and interest, leases of real or immovable property, present and future, in and to all lands, immovable property and premises now or in the future owned by the Constituant or in which the Constituant now or in the future has any interest of any nature whatsoever or which may at any time in the future be acquired by the Constituant of which the Constituant may at any time in the future become possessed or obtain any interest or to which the Constituant may at any time in the future become entitled, in any such case wherever located, together with all buildings, erections, structures, improvements, fixtures, fixed plant, fixed machinery and fixed equipment now or in the future located, constructed or placed in, under or upon any such lands and premises and all rights, entitlements, rights of way, servitudes, licences and privileges appurtenant or appertaining to such lands and premises;

"Security" means a document that is: (a) issued in bearer, order or registered form, (b) of a type commonly dealt with upon securities exchanges or markets or commonly recognised in any area in which it is issued or dealt in as a medium for investment, (c) one of a class or series or which by its terms is divisible into a class or series of documents, and (d) evidence of a share, participation or other interest in property or in an enterprise or is evidence of an obligation of the issuer; and

"Toxic Substance" means both (a) any pollutant or contaminant within the meaning given to these words in the Environment Quality Act (Quebec) and (b) any toxic substance within the meaning given to these words in the Canadian Environmental Protection Act.

SCHEDULE 3

The following universalities of property of the Grantor (collectively, the "Hypothecated Property"):

Accessions;
Books and Records;
Claims;
Contracts;
Documents of Title;
Equipment;
Goods;
Instruments;
Intangibles;
Intellectual Property Rights;
Inventory;
Money;
Permits;
Property in Stock;
Real Property, except for leases and leasehold interests for which the consent of the landlord is required prior to a charge thereof and for which such consent has not been obtained; and Securities.

Without limiting the generality of the foregoing, the hypothec hereby constituted also charges the following universalities of property:

(a) All the fruits and products of the soil, and the materials and other things forming an integral part of an immovable, now or in the future, and which are owned by the Grantor when such fruits, products, materials or other things become movables with a separate existence attaching to the Hypothecated Property or with respect thereto;

(b) The proceeds of any sale, rental or other disposition of the Hypothecated Property, any claim resulting from such sale, rental or other disposition as well as any property acquired in replacement thereof (it being understood that this clause shall not be interpreted as allowing the Grantor to encumber the Hypothecated Property in violation hereof);

(c) All the existing and future intellectual and industrial property rights of the Grantor as well as all existing and future permits, licences, authorizations or other rights attaching to its enterprise or to the Hypothecated Property;

(d) All insurance or expropriation indemnities payable with respect to the Hypothecated Property;

(e) All rights attaching to the Hypothecated Property as well as the fruits and revenues generated thereby;

(f) All conditional rights or rights likely to be declared null regarding a corporeal or incorporeal movable property owned or held by the Grantor or on its behalf;

(g) All the titles, documents, registers, invoices and accounts evidencing the Hypothecated Property or with respect thereto; and

(h) All other movable or immovable properties of whatsoever nature and wherever situated, now owned or hereafter acquired by the Grantor.

DEFINITIONS

"Accessions" means Goods that are installed in or affixed to other Goods;

"Agent" means CANADIAN IMPERIAL BANK OF COMMERCE, together with its successors and permitted assigns.

"Books and Records" means and refers to the universality of books, records, agreements and/or arrangements relating to Claims, Equipment and/or Inventory, including but not limited to: all records, ledgers, computer software, including, without limitation, programs, disc or tape files, and printouts, runs and other computer prepared information indicating, summarising or evidencing Claims, Intangibles, Equipment and/or Inventory;

"Claims" means the universality of all claims, account books, accounts receivable, demands and amounts of any nature which are presently owed to the Grantor and which may be owed to him in the future, including all the demands and benefits which are or could be owed to the Grantor in the future pursuant to any insurance policy whatsoever and all of the Grantor's rights to the credit balance of the accounts held on his behalf by the Agent (subject to the latter's rights of compensation) or by any financial institution or other person, the whole also including any judgements and other accessories, hypothecs, rights and security relating thereto as well as any deeds, documents, instruments, contracts, bills of exchange, notes and other appropriate vouchers as well as the books and files relating thereto. A claim, a right or a demand shall not be excluded from the Claims solely because (i) the debtor is domiciled outside Quebec or (ii) the debtor is an affiliate (as this term is defined in the Canada Business Corporations Act) of the Grantor or (iii) the claim, right or demand is not related to the business of the Grantor;

"Contracts" means all contracts, licenses and agreements to which the Grantor is now or in the future a party or pursuant to which the Grantor has acquired rights or in the future acquires rights, as such contracts may from time to time be amended, supplemented or otherwise modified, including (a) all present and future rights of the Grantor to receive Money or any other amounts or in connection therewith, (b) all present and future rights of the Grantor to damages arising out of, or for, breach or default in respect thereof, and (c) all present and future rights of the Grantor to perform and to exercise all remedies thereunder, but excluding all leases and contracts creating leasehold interests for which the consent of the landlord is required prior to a charge thereof and for which such consent has not been obtained;

"Document of Title" means any writing that purports to be issued by or addressed to a person and purports to cover such Goods in such person's possession as are identified or fungible portions of an identified mass, and that in the ordinary course of business is treated as establishing that the person in possession of it is entitled to receive, hold and dispose of the document and the Goods it covers;

"Equipment" means the universality of the present and future machinery, tools, professional equipment and furniture owned by the Grantor or held on his behalf as well as existing and future accessories, additions, repairs and spare parts thereto, including logging and farm machinery and tools;

"Goods" means corporeal movable property other than Claims, Documents of Title, Instruments, Money and Securities, and includes fixtures, growing crops, the unborn young of animals, timber to be cut, and minerals and hydrocarbons to be extracted;

"Grantor" means Danier Leather Inc./Les Cuir Daniers Inc., together with its successors and permitted assigns.

"Instrument" means, a bill, note or cheque within the meaning of the Bills of Exchange Act (Canada) or any other writing that evidences a right to the payment of money and is of a type that in the ordinary course of business is transferred by delivery with any necessary endorsement or assignment, or a letter of credit and an advice of credit if the letter or advice states that it must be surrendered upon claiming payment thereunder, but does not include a writing that constitutes part of a Claim, a Document of Title or a Security;

"Intangibles" means all incorporeal movable property that is not Goods, Documents of Title, Instruments, Money or Securities;

"Intellectual Property Rights" means all past, present and future: trade secrets and other proprietary information; trademarks, service marks, business names, designs, logos, indicia, and/or other source and/or business identifiers of or used by the Grantor and the goodwill of the business relating thereto and all registrations or applications for registrations now or hereafter issued thereon throughout the world; copyrights (including, without limitation, copyrights for computer programs) of the Grantor or in which the Grantor has any right, title or interest and copyright registrations or applications for registrations now or hereafter issued throughout the world and all corporeal property embodying such copyrights; unpatented inventions (whether or not patentable) of the Grantor or in which the Grantor has any right, title or interest; patent applications and patents of the Grantor or in which the Grantor has any right, title or interest; industrial designs, industrial design applications and registered industrial designs of the Grantor or in which the Grantor has any right, title or interest; license agreements related to any of the foregoing and income therefrom; books, records, writings, computer tapes or disks, flow diagrams, specification sheets,

source codes, object codes and other physical manifestations, embodiments or incorporations of any of the foregoing; the right to sue for all past, present and future infringements of any of the foregoing; and all common law and other rights throughout the world in and to all of the foregoing;

"Inventory" means Goods that are held for sale or lease or that have been leased or that are to be furnished or have been furnished under a contract of service, or that are raw materials, work in process or materials used or consumed in a business or profession;

"Money" means a medium of exchange authorized or adopted by the Parliament of Canada as part of the currency of Canada or by a foreign government as part of its currency;

"Permits" means all permits, licenses, authorizations, approvals, franchises, rights of way, servitudes and entitlements that the Grantor has, requires or is required to have, to own, possess or operate any of its property or to operate and carry on any part of its business;

"Property in Stock" means the universality of all existing and future property in stock owned by the Grantor or held on his behalf, including moveable property held for the purpose of being sold, rented or altered by means of transformation or manufacturing process of a good destined for sale or for rent or with respect to services offered, or goods held by third parties with respect to a rental agreement, leasing contract, franchise contract or licence or other agreement executed with the Grantor, regarding raw materials, manufactured or semimanufactured or treated materials or products, or goods used for packaging, mineral or petroleum substances, animals or foodstuffs. Goods that were part of any goods in stock which, pursuant to an alienation contract executed with respect thereto for the benefit of a third party, shall remain the property of the Grantor pursuant to a reservation of ownership in its favour, and shall be deemed to be Property in Stock as long as the ownership thereof is not transferred to such third parties; are also deemed to be Property in Stock, goods which, after having been alienated, have again become the property of the Grantor as a result of a resolution, termination or repossession;

"Real Property" means the universality of all of the Grantor's right, title, estate and interest, leases of real or immovable property, present and future, in and to all lands, immovable property and premises now or in the future owned by the Grantor or in which the Grantor now or in the future has any interest of any nature whatsoever or which may at any time in the future be acquired by the Grantor or of which the Grantor may at any time in the future become possessed or obtain any interest or to which the Grantor may at any time in the future become entitled, in any such case wherever located, together with all buildings, erections, structures, improvements, fixtures, fixed plant, fixed machinery and fixed equipment now or in the future located, constructed or placed in, under or upon any such lands and premises and all rights, entitlements, rights of way, servitudes, licences and privileges appurtenant or appertaining to such lands and premises; and

"Security" means a document that is: (a) issued in bearer, order or registered form, (b) of a type commonly dealt with upon securities exchanges or markets or commonly recognised in any area in which it is issued or dealt in as a medium for investment, (c) one of a class or series or which by its terms is divisible into a class or series of documents, and (d) evidence of a share, participation or other interest in property or in an enterprise or is evidence of an obligation of the issuer.

**IN THE MATTER OF an application under section 101 of the Courts of Justice Act,
R.S.O. 1990, c. C.43, as amended**

**AND IN THE MATTER OF THE RECEIVERSHIP OF DANIER LEATHER INC., a
corporation incorporated pursuant to the laws of the Province of Ontario, with a head
office in the City of Toronto, in the Province of Ontario**

Court File No. CV16-11322-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)**

Proceeding commenced at Toronto

ORDER

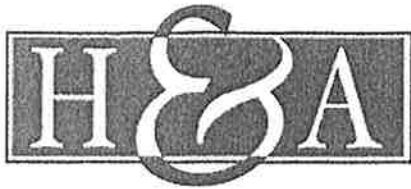
DAVIES WARD PHILLIPS & VINEBERG LLP
155 Wellington Street West
40th Floor
Toronto, ON Canada M5V 3J7

Jay A. Swartz (LSUC #15417L)
jswartz@dwpv.com
Natalie Renner (LSUC # 55954A)
nrenner@dwpv.com

Tel: 416.863.0900
Fax: 416.863.0871

Lawyers for Danier Leather Inc.

Appendix “B”



Holmested & Associés s.e.n.c.r.l./LLP
Avocats | Barristers & Solicitors

February 22, 2016

Consensus Advisory Services LLC and
Consensus Securities LLC
100 River Ridge Drive, Suite 202
Norwood, MA 02062

Attention : Michael A. O'Hara and William D. Busko II

Dear Sirs,

Please find enclosed an Offer to Purchase for certain assets of Danier Leather Inc. (the "Vendor") by our client, Michael Kors (Canada) Holdings Ltd., including the following:

1. The Offer to Purchase, with attached Schedule A, being the lease for premises leased by the Vendor in Toronto Premium Outlets, Halton Hills Ontario dated July 9, 2013;

You will receive a confirmation of a wire transfer in the amount of CDN\$ 25,000.00 from Michael Kors (Canada) Holdings Ltd. to you representing 10% of the Purchase Price indicated in the Offer to Purchase prior to 5pm today.

Should you require any further information or confirmations in respect of Michael Kors (Canada) Holdings Ltd., as purchaser, or the in respect of the Offer to Purchase, please do not hesitate to contact us and we will provide them promptly.

Yours truly,

HOLMESTED & ASSOCIÉS s.e.n.c.r.l./LLP

J. DAVID HOLMESTED
davidh@holmested.ca

JDH/II
Encl.

OFFER TO PURCHASE
certain assets of
DANIER LEATHER INC.

Presented on February 22, 2016

by

Michael Kors (Canada) Holdings Ltd.
as “Purchaser”

to

Danier Leather Inc.

as “Vendor”

and

**KSV Kofman Inc. acting in its capacity as trustee to the Notice of Intention to make a
Proposal of Danier Leather Inc.**

as “Trustee”

OFFER TO PURCHASE

This offer to purchase is presented by **Michael Kors (Canada) Holdings Ltd.**, (“**Purchaser**”), a corporation subsisting under the laws of Canada, on February 22, 2016, to **Danier Leather Inc.** (“**Vendor**”) and to KSV Kofman Inc. (the “**Trustee**”) in its capacity as trustee to the Notice of Intention to Make a Proposal of Vendor (the “**NOI**”) in accordance with the *Bankruptcy and Insolvency Act* (Canada) (“**BIA**”).

WHEREAS on February 4, 2016, Vendor filed the NOI and the Trustee was appointed as proposal trustee; and

WHEREAS Purchaser wishes to purchase the Purchased Assets (as such term is defined below), the whole in accordance with the terms and conditions set out herein.

1. INTERPRETATION

1.1 Definitions

In this Offer, unless the context otherwise requires, the following terms shall have the respective meanings set forth below and grammatical variations of such terms shall have corresponding meanings:

“**Approval and Vesting Order**” has the meaning set out in Section 4.1(d).

“**Assumed Lease**” means the lease of Vendor indicated in Schedule A hereto.

“**Assumed Liabilities**” means the liabilities and obligations of Vendor, as tenant, arising under the Assumed Lease in respect of the period from and after the Closing Date.

“**BIA**” has the meaning set forth in the preamble.

“**Bid Deadline**” means 5:00 p.m. (Eastern time) on February 22, 2016, or such other later date or time as may be agreed by the Vendor, in consultation with the Trustee and Financial Advisor.

“**Business Day**” means any day, other than a Saturday, Sunday or statutory holiday in the Province of Ontario, on which commercial banks in Toronto, Ontario are open for business.

“**Closing**” means the closing of the Transaction as defined in Section 5.1.

“**Closing Date**” means a date no later than the earlier of (i) the third Business Day following the issuance by the Court of the Approval and Vesting Order, or (ii) such other date agreed by the parties.

“**Court**” means the Ontario Superior Court of Justice.

“**Encumbrance**” means all claims, prior charges, liabilities, mortgages, pledges, charges (including court-ordered charges), priorities, debentures, hypothecs, assignments by way of security, security interests, trusts or deemed trusts, financial leasing agreements, conditional sales contracts or other title retention agreements or similar interests or instruments charging, or creating a security interest in, or against title to, any particular property.

“**Expiry Time**” means 5:00 p.m. (Eastern time) on a date that is 15 Business Days after the Bid Deadline, or such other date as the Vendor and the Purchaser may agree, acting reasonably.

“**ETA**” means Part IX of the *Excise Tax Act* (Canada), as amended from time to time.

“**Financial Advisor**” means jointly, Consensus Advisory Services LLC and Consensus Securities LLC.

“**Leased Premises**” means the leased premises under the Assumed Lease.

“**NOI**” has the meaning set forth in the preamble.

“**Offer**” means this offer to purchase, including any schedules attached hereto, as amended, supplemented or restated from time to time by written agreement of the Parties.

“**Parties**” means Purchaser and Vendor, and “**Party**” means any one of them.

“**Purchase Price**” has the meaning set out in Section 2.2.

“**Purchased Assets**” means the following assets of Vendor namely all rights, title and interest of the Vendor in and to the Assumed Lease, including all renewal options relating thereto and in the leasehold improvements, trade fixtures and equipments situated in the Leased Premises and all plans and drawings relating thereto.

“**Purchaser**” has the meaning set forth in the preamble.

“**Sales Taxes**” has the meaning set forth in Section 2.5.

“**Transaction**” means the purchase and sale of the Purchased Assets and all other matters contemplated by this Offer.

“**Trustee**” has the meaning set forth in the preamble.

“**Vendor**” has the meaning set forth in the preamble.

1.2 **Currency**

All references to currency or dollar amounts in this Offer are to the lawful currency of Canada.

1.3 **Preamble and Schedule**

The preamble hereof and the Schedule attached hereto form an integral part of this Offer.

2. **OFFER TO PURCHASE**

2.1 **Purchase and Sale**

Subject to the provisions of this Offer, Purchaser hereby offers to purchase the Purchased Assets from Vendor effective as of the Closing Date in consideration of the Purchase Price and upon the terms and conditions herein stated and Vendor, by its acceptance hereof, agrees to sell the Purchased Assets to Purchaser for the Purchase Price and upon such terms and conditions.

2.2 **Purchase Price**

The purchase price for the Purchased Assets shall be CDN\$ 250,000.00 (the “**Purchase Price**”). The Purchase Price shall be paid by Purchaser to Vendor on Closing by certified cheque(s) or wire transfer.

2.3 **Deposit**

Purchaser has delivered to the Trustee on February 22, 2016 a wire transfer to KSV Kofman Inc. – In Trust in the amount of CDN\$ 25,000.00, which represents 10% of the Purchase Price (the “**Deposit**”). On Closing, the Deposit will be applied against the Purchase Price. If the Offer is terminated or Closing does not occur for any reason other than a default of Purchaser on or before the Closing Date, the Deposit (together with all interest earned thereon) shall be returned forthwith to Purchaser.

2.4 **Assumed Liabilities**

Subject to occurrence of Closing, Purchaser shall assume all of the Assumed Liabilities. Purchaser shall not assume any liabilities of Vendor other than the Assumed Liabilities. For greater certainty, the Purchaser shall not assume any of the obligations of the Vendor for taxes or under its employment contracts with its employees or its agreements with any suppliers of utilities or other services.

2.5 Sales Taxes

Purchaser shall bear and pay the applicable sales taxes related to the assignment and transfer of the Purchased Assets imposed by any governmental authority (“**Sales Taxes**”).

3. ACKNOWLEDGEMENT OF PURCHASER

3.1 With respect to this Offer and the Transaction:

- (a) Purchaser acknowledges and represents that Purchaser has had the opportunity to conduct all due diligence regarding the Purchased Assets or Vendor, as the case may be, before submitting this Offer;
- (b) Purchaser acknowledges and recognizes that the sale and purchase contemplated hereby shall be made on an “*as is, where is*” basis, at its own risks and perils, without any representations or warranties of any nature whatsoever, implicit or explicit, legal or conventional, statutory or otherwise, with respect to the Purchased Assets or Vendor, as the case may be;
- (c) Purchaser has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Purchased Assets or Vendor, as the case may be, in submitting this Offer; and
- (d) Purchaser has not relied upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Purchased Assets or Vendor, as the case may be, or the completeness of any information provided.

4. CONDITIONS OF THIS OFFER

4.1 This Offer and the Transaction are subject to the occurrence of each and every one of the following conditions by no later than the Closing Date or such later date as may be mutually agreed by Vendor and Purchaser (the “**Closing Conditions**”), namely:

- (a) the Assumed Lease as previously made available shall not have been modified or disclaimed and shall be, as at the Closing Date, in full force and effect;
- (b) no legal proceedings shall be pending or threatened by any person to enjoin, restrict or prohibit the sale of the Purchased Assets pursuant to this Offer;
- (c) all rent or any other amounts owing to the landlord of the Assumed Lease (the “**Landlord**”) accrued up to the Closing Date shall have been paid by Vendor;
- (d) the Court shall have issued an order, which is in form and substance satisfactory to Purchaser (acting reasonably) and which (i) approves and authorizes the Transaction and authorizes Vendor to effect such Transaction, (ii) orders that all of

the Purchased Assets be sold by Vendor and purchased by Purchaser free and clear of all Encumbrances, and (iii) orders the assignment and transfer by Vendor to Purchaser of all of Vendor's right, title and interest, as tenant, in and to the Assumed Lease (the "**Approval and Vesting Order**"); and

- (e) the Landlord shall have consented in writing (the "**Landlord Consent**") to the assignment of the Assumed Lease in favour of the Purchaser including a non-operating ninety day or shorter renovation period (during which period Purchaser will pay all Rent and other amounts payable under the Assumed Lease accruing from and after the Closing Date and will combine the Leased Premises with its adjoining premises) and the amending of the non-financial terms and conditions of the Assumed Lease, such as, without limitation, the Permitted Uses and Tenant's Trade Name, so that it duplicates the present lease of the Purchaser in the Shopping Centre, or on such other terms as Purchaser and the Landlord may agree. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Assumed Lease.

If any conditions contained in this Section 4.1 shall not be performed or fulfilled at or prior to the Closing Date to the satisfaction of Purchaser, acting reasonably, Purchaser may, by notice to Vendor, terminate this Offer and the obligations of Vendor and Purchaser under this Offer shall terminate forthwith and the Deposit shall forthwith be returned to Purchaser. Any such condition may be waived in whole or in part by Purchaser without prejudice to any claims it may have for breach of covenant, representation or warranty;

5. CLOSING

5.1 Time and Place of Closing

Subject to occurrence of each of the Closing Conditions, Closing of the sale and purchase of the Purchased Assets contemplated hereby (the "**Closing**") shall occur on the Closing Date (at such time to be mutually agreed upon by Vendor and Purchaser) at the offices of the Trustee or at such other place agreed upon by the parties.

5.2 Closing Deliveries

Closing shall consist of:

- (a) the signature and execution by Vendor and Purchaser of an agreement effecting the Transaction;
- (b) a copy of the Landlord Consent executed by the Landlord;
- (c) the payment by Purchaser to Vendor of the Purchase Price (less the Deposit) in the manner set forth herein;

- (d) the payment by Purchaser to Vendor of the Sales Taxes;
- (e) the signature and execution by Vendor and Purchaser of any and all documents and the doing by Vendor and Purchaser of any and all things as may be necessary or useful in order to give full and proper effect to the Transaction; and
- (f) the Trustee's signature, execution and filing with the Court of any and all certificates contemplated by the Approval and Vesting Order.

6. ACCEPTANCE

6.1 This Offer is open for Vendor's acceptance at any time up to (but not after) the Expiry Time failing which this Offer shall lapse and become null, void and inoperative for all purposes and the Deposit shall be forthwith returned to Purchaser.

7. MISCELLANEOUS

7.1 Notice

All communications (including, without limitation, all notices, acceptances, consents and approvals) provided for or permitted hereunder (a "**Notice**") shall be in writing, sent by personal delivery, courier or sent by facsimile or electronic transmission at the following coordinates:

- (a) if to Purchaser:

Michael Kors (Canada) Holdings Ltd.
3424 Rue Simpson
Montreal, QC H3G 2J3
Attention: Debra Margles
E-Mail: debra.margles@michaelkors.com

with a copy to:

Holmested & Associés s.e.n.c.r.l./LLP
1010 de la Gauchetière West
Suite 1230
Montreal QC H3B 2N2
Attention : J. David Holmested / Isabelle Simard
Email: davidh@holmsted.ca / isabelles@holmsted.ca

(b) if to Vendor:

Danier Leather Inc.
2650 St. Claire Avenue West
Toronto ON M6N 1M2
Attention: Brent Houlden
Email: boulden@danier.com

with a copy to :

Davies Ward Phillips & Vineberg LLP
155 Wellington Street West
Toronto ON M5V 3J7
Attention : Jay Swartz / Natalie Renner
Email: jswartz@dwpv.com / nrenner@dwpv.com

(c) if to the Trustee:

KSV Kofman Inc.
150 King Street West
Suite 2308
Toronto ON M5H 1J9
Attention : Robert Kofman / Noah Goldstein
Email: bkofman@ksvadvisory.com / ngoldstein@ksvadvisory.com

A Notice is deemed to be given and received (i) if sent by personal delivery or same day courier, on the date of delivery if it is a Business Day (as defined below) and the delivery was made before 4:00 p.m. (local time in place of receipt) and otherwise on the next Business Day, (ii) if sent by overnight courier, on the next Business Day, or (iii) if sent by facsimile or email, on the Business Day following the day it was so sent. A Party may change its address for service from time to time by providing a notice in accordance with the foregoing. Any subsequent notice must be sent to the party at its changed address. Any element of a Party's address that is not specifically changed in a Notice will be assumed not to be changed.

7.2 Assignment in Bankruptcy

Vendor shall not repudiate, reject, disclaim or terminate any contracts, agreements, licenses or permits affecting the Purchased Assets. This Offer once accepted shall continue to be binding against any future trustee in bankruptcy.

7.3 Brokerage

Each of the parties represents that it has had no dealings with any broker or agent in connection with this Lease other than Oberfeld Snowcap, for which Purchaser is responsible, and covenants to pay, hold harmless and indemnify the other from and against any and all costs, expense or liability for any compensation and charges claimed by any other broker or agent in respect of the transfer of the Assumed Lease.

7.4 Governing Law

This Offer shall be governed by and interpreted in accordance with the laws of Ontario and the laws of Canada applicable therein, and each of the Parties irrevocably attorns to the exclusive jurisdiction of the courts of Ontario.

7.5 Assignment and Enurement

Until and including the Closing Date, Purchaser shall have the right to assign its rights herein to any entity which is a "related person" (as defined in the BIA) to Purchaser upon simple notice to Vendor, save that in such event it shall be jointly and severally (solidarily) responsible with the assignee for all of its obligations hereunder. This Offer enures to the benefit of and jointly and severally (solidarily) binds the Parties and their respective heirs, executors, administrators, personal and legal representatives, successors and permitted assigns.

7.6 Language

The parties hereto acknowledge that they have required that this agreement and all related documents be prepared in English. Les parties reconnaissent avoir exigé que la présente convention et tous les documents connexes soient rédigés en anglais.

SIGNED at Montreal, Quebec this 22 day of February, 2016.

MICHAEL KORS (CANADA) HOLDINGS LTD.

Per:



President

ACCEPTANCE

Accepted and approved this _____ day of _____, 2016.

DANIER LEATHER INC.

Per: _____

INTERVENTION

The Trustee acknowledges acceptance of this Offer by Vendor.

KSV KOFMAN INC. in its capacity as trustee to the Notice of Intention to make a Proposal of Danier Leather Inc.

Per: _____

SCHEDULE A

Assumed Lease

The Lease made the 9th day of July, 2013 between HALTON HILLS SHOPPING CENTRE PARTNERSHIP, as landlord, and DANIER LEATHER INC., as tenant, in respect of premises designated as unit 506 in the shopping centre known as Toronto Premiums Outlets, located in Halton Hills, Ontario, Canada and having a floor space of approximately 2,238 square feet.

HALTON HILLS SHOPPING CENTRE PARTNERSHIP,
an Ontario general partnership

Landlord

TO

DANIER LEATHER INC.,
an Ontario corporation

Tenant

LEASE

Dated: July 9th, 2013

Premises in the Toronto Premium Outlets
Halton Hills
Ontario, Canada

Unit: 506

5/03/13
3/20/13
2/07/13
11/13/12
7/30/12
5/22/12
5/02/12

LEASE

THIS LEASE, made the 9th day of July, 2013, between HALTON HILLS SHOPPING CENTRE PARTNERSHIP, an Ontario general partnership, having an office at c/o Simon Property Group - Premium Outlets, 105 Eisenhower Parkway, 1st Floor, Roseland, NJ 07068 (herein, except as otherwise provided, called "Landlord"), and DANIER LEATHER INC., an Ontario corporation, having an office at 2650 St. Clair Avenue West, Toronto, Ontario, M6N 1M2, (herein, except as otherwise provided, called "Tenant").

ARTICLE I
DEFINITIONS

1.01 SPECIAL DEFINITIONS. As used herein the following terms and phrases shall have the meanings indicated:

A. Advertising Fee: Tenant's annual contribution toward Landlord's marketing and promotion expenses, which shall be payable at the initial annual rate of \$4.25 multiplied by the Floor Space of the Demised Premises. Tenant's Advertising fee shall be increased on each January 1 during the Term by three percent (3%) of the Advertising Fee previously in effect.

B. Base Gross Sales: An amount equal to the quotient of the then Fixed Rent divided by the Percentage Rent Rate.

C. Broker: Northwest Atlantic Retail, Inc.

D. Commencement Date: The date on which Tenant shall commence the payment of Fixed Rent and other charges, which shall be the earlier of (i) the date Tenant opens for business in the Demised Premises or (ii) sixty (60) days following the Delivery Date.

E. Delivery Date: The date on which the Demised Premises is vacant and made available for Tenant's occupancy as set forth in a written notice from Landlord or, in any instance where Landlord is required to do work in the space, the date on which Landlord's Work has been substantially completed and the Demised Premises is made available for Tenant's occupancy. Upon taking possession of the Demised Premises, Tenant shall be subject to all the terms and conditions of this Lease, other than with respect to the payment of Fixed Rent and those recurring Additional Rent charges expressly identified herein as not commencing until the Commencement Date. The term "substantially completed" or "substantial completion" shall mean that the Demised Premises has been completed in accordance with the requirements of "Exhibit A", subject only to punchlist items, which such items will not materially interfere with Tenant's work or the opening of the Demised Premises for business to the public. Said punchlist items shall be completed by Landlord within thirty (30) days of Landlord's receipt of such list.

F. Demised Premises: The retail space in the Shopping Centre depicted on the space plan attached hereto as Exhibit "B", designated by Landlord as Unit 506 and having a Floor Space of approximately 2,238 square feet. The final, measured Floor Space of the Demised Premises shall be determined by Landlord's architect upon completion of Landlord's Work, at Landlord's sole cost and expense, and all charges adjusted to reflect the actual Floor Space as so determined.

G. Fixed Rent: For the Lease Years 1-3 an amount at the annual rate of \$45.00 multiplied by the Floor Space of the Demised Premises, for the Lease Years 4-7 an amount at the annual rate of \$50.00 multiplied by the Floor Space of the Demised Premises and for the Lease Years 8-10 an amount at the annual rate of \$57.00 multiplied by the Floor Space of the Demised Premises.

H. Indemnifier: None.

I. Initial Term: The period of approximately ten (10) years commencing on the Delivery Date and ending at midnight of the last day of the tenth Lease Year.

J. Lease Year: A period of twelve (12) consecutive months during the Term, the first full Lease Year commencing on the Commencement Date and continuing through the twelfth (12th) full calendar month occurring on or after the Commencement Date; provided, that if the Commencement Date occurs on the first day of a calendar month, the month in which the Commencement Date occurs shall be deemed the first full calendar month. "Partial Lease Year" means any period of less than a full Lease Year occurring before the first full Lease Year or after the last full Lease Year.

K. Marketing Entry Charge: A one-time contribution toward the expenses associated with advertising and marketing the opening of the Shopping Centre, payable at the rate of \$2.25 multiplied by the Floor Space of the Demised Premises, and due and payable together with Tenant's first installment of Fixed Rent.

L. Operating Cost Charge ("OC Charge"): Tenant's annual contribution toward the costs of operating, administering and maintaining the Shopping Centre and its common areas. Tenant's OC Charge for the calendar year 2013 shall be fixed at \$7.50 per square foot of Floor Space of the Demised Premises per annum (pro rated for any partial calendar year). Tenant's OC Charge shall be increased January 1st of the succeeding calendar year, and on each January 1st thereafter, by five percent (5%) of the OC Charge then in effect.

M. Option to Extend: None.

N. Percentage Rent Rate: Five percent (5%).

O. Permitted Uses: The sale, at retail, of men's, women's and children's fashions and apparel such as by way of example but not limited to, coats, vests, jackets, pants, sweaters, shirts and skirts, and fashion accessories, such as, by way of example but not limited to, scarves, belts, gloves, hats, purses, bags, luggage, briefcases, wallets, fashion jewellery and slippers, and as ancillary to such principal use, the sale, at retail, of shoes, boots and other merchandise, sold from time to time, in Tenant's stores in Canada. Tenant shall not sell any items that are manufactured by or for any other tenant or occupant of the Shopping Centre unless Tenant has the permission of such other tenant or occupant to sell such items, or which may violate the exclusive rights of any other Tenant in the Shopping Centre of which Tenant has knowledge. See also, the provisions of Sections 6.01 and 6.02.

P. Radius. The agreed-upon distance from the outer boundaries of the Shopping Centre, measured in any direction, in which Tenant agrees it will not open or operate a competing store, as more particularly set forth in Article 15.19. The Radius for this Lease is twelve (12) air kilometers.

Q. Real Estate Tax Charge: Tenant's annual share of Real Estate Taxes as more particularly determined pursuant to Section 3.03 hereof.

R. Security Deposit: None.

S. Shopping Centre: That certain Shopping Centre to be built by Landlord and to be known as Toronto Premium Outlets, located in Halton Hills, Ontario, Canada, as same may, from time to time, be reduced or expanded by the deletion or addition by Landlord of lands and/or buildings and other improvements.

T. Tenant's Improvement Allowance: None.

U. Tenant's Trade Name: "Danier Leather Outlet" or "Danier Outlet".

1.02 GENERAL DEFINITIONS: As used herein the following terms and phrases shall have the meanings indicated:

A. Additional Rent: All amounts payable by Tenant to Landlord under this Lease other than Fixed Rent and Percentage Rent, or pursuant to any other agreement entered into by or between Tenant, Landlord and/or any third party with respect to Tenant's occupancy of the

Demised Premises, including but not limited to any agreement relating to billboards, garbage collection or signage.

B. Calendar Year: Any twelve-month period commencing on a January 1, and the words calendar quarter shall mean any three-month period beginning on either a January 1, an April 1, a July 1 or an October 1.

C. Common Areas: All areas, spaces and improvements to the Shopping Centre which Landlord makes available from time to time for the common use and benefit of the tenants and occupants of the Shopping Centre, including, without limitation, parking areas, roads, walkways, promenades, sidewalks, open and covered courts and malls, if any, landscaped and planted areas, community rooms, if any, Shopping Centre office, if any, public rest rooms, if any, and those portions of utility and sewer lines and systems and fire protection and sprinkler alarm systems serving the common use and benefit of the tenants and occupants of the Shopping Centre.

D. Common Area Costs: All those costs and expenses incurred by Landlord for the maintenance, policing, securing, repair, replacement, administration, insurance, environmental monitoring, operation and management of the Shopping Centre. Tenant will pay a fixed, annual contribution toward Common Area Costs (the "OC Charge") as described in Articles 1.01L and 3.04.

E. Event of Default: Any of the events set forth in Section 13.01 as an Event of Default.

F. Floor Space: The floor area stated in square feet bounded by the exterior faces of the exterior walls, or the exterior or Common Areas face of any wall between the Demised Premises and any portion of the Common Areas, or the center line of any wall between two occupants. With respect to the Demised Premises, Floor Space shall include, without limitation, corridors, alleys, passageways and all other areas if the same are for the exclusive use of the Demised Premises and shall include the aggregate floor area of all levels or stories of the Demised Premises including any basement and mezzanine levels and shall also include the floor area contained in any recessed entrances, but excluding any roof except such portion thereof (other than cooling towers, mechanical rooms and chimneys, if any) as is permanently enclosed and no deduction or exclusion shall be made from Floor Space otherwise computed by reason of stairs, elevators, escalators, interior partitions, columns or other interior construction or equipment. With respect to the Shopping Centre, Floor Space shall include all (and only such) floor area of premises in the Shopping Centre demised to retail or commercial tenants or available for retail or commercial tenancy, as subject to change from time to time, and shall not include any kiosks, other non-permanent facilities or office facilities.

G. Gross Sales: Without duplication, the dollar aggregate of: (a) the actual sales price of all goods and merchandise sold, leased or licensed and the charges for all services performed by Tenant or otherwise from all business conducted at or from the Demised Premises, whether made for cash, by cheque, credit or otherwise, without reserve or deduction for inability or failure to collect the same, including, without limitation, sales and services (i) where the orders therefor originate at or are accepted at or from the Demised Premises, whether delivery or performance thereof is made at or from the Demised Premises or any other place, it being understood that all sales made and orders received at or from the Demised Premises shall be deemed to have been made and completed therein even though the orders are fulfilled elsewhere or the payments of account are transferred to some other office for collection, and all orders which result from solicitation off the Demised Premises but which are conducted by personnel operating from or reporting to or under the control or supervision of any person at the Demised Premises shall be deemed part of Gross Sales, (ii) pursuant to mail, telegraph, telephone, internet or other similar orders received or billed at or from the Demised Premises, and (iii) by means of mechanical or other vending devices; and (b) all moneys or other things of value received by Tenant from its operations at the Demised Premises (which are not excluded from Gross Sales by the next succeeding sentence) including all finance charges, cost of gift or merchandise certificates and all deposits not refunded to customers. Gross Sales shall not include (u) refunds for merchandise returned to Tenant at the Demised Premises, the selling price of which was previously included in Gross Sales (but in no event to exceed the amount of such cash refund), (v) any merchandise returned for credit to shippers, jobbers, wholesalers or manufacturers, (w) any sums received in settlement of claims for

loss or damage to merchandise, (x) the exchange of merchandise between stores of Tenant where such exchange is made solely for the convenient operation of Tenant's business and neither for the purpose of depriving Landlord of the benefits of a sale which would otherwise be made at or from the Demised Premises nor for the purpose of consummating a sale which has been theretofore made at or from the Demised Premises, (y) sales of fixtures which are not part of Tenant's stock in trade and not sold in the regular course of Tenant's business, or (z) the amount of any city, county, state or federal sales tax, luxury tax or excise tax on sales if the tax is added to the selling price and separately stated and actually paid to the taxing authority by Tenant; provided, however, no franchise or capital stock tax and no income or similar tax based upon income, profits or Gross Sales shall be deducted from Gross Sales in any event whatsoever. Cash or credit refunds made upon transactions included within the Gross Sales, but not exceeding the selling price of merchandise returned by the purchaser and accepted by Tenant, shall be deducted from the Gross Sales for the period when such refunds are made. Each charge or sale upon installment or credit or layaway, so called, shall be treated as a sale for the full price in the month during which such charge or sale shall be made, irrespective of the time when Tenant shall receive payment from its customer. Each lease or rental or license of merchandise to customers shall be treated as a sale in the month in which the lease, rental or license is made for a price equal to the total rent or license fee payable. For purposes of this definition the term Tenant shall include any of Tenant's subtenants, concessionaires, and licensees. In addition, Gross Sales shall exclude: (a) sales or rentals of merchandise for which amount has been refunded, but only to the extent of the refunded amount; (b) the selling or rental price of merchandise returned by customers for exchange; (c) delivery charges over and above the selling price of goods at no profit, as a mere incidental part of its business operations in the Demised Premises and only as a service to the Tenant's customers; (d) deleted; (e) the amount of discount on sales actually given to bona fide employees of Tenant not to exceed 2% of Gross Sales; (f) bad debts not to exceed 2% of Gross Sales; (g) proceeds of insurance; (h) the sale of gift or merchandise certificates or coupons until such are redeemed at the Demised Premises; (i) charges for repair or alterations made by the Tenant at no profit, as a mere incidental part of its business operations in the Demised Premises and only as a service to the Tenant's customers; (j) the amount of merchandise sold, or some part thereof, which is thereafter returned by the purchaser and accepted by Tenant; (k) transfers of goods or merchandise between the stores of Tenant where such exchange of goods or merchandise is made solely for the convenient operation of the business of Tenant not for consummating a sale which has been made at, in, from or upon the Demised Premises; and (l) the amount of returns to shippers or to manufacturers.

H. Landlord: The owner for the time being of the interest of Landlord under this Lease as owner of the fee of the Demised Premises or as lessee under any ground lease or underlying lease of premises including the Demised Premises, so that in the event of any sale or transfer of the fee of the Demised Premises (other than a sale with a leaseback to the grantor) or any assignment of Landlord's interest under such ground lease or underlying lease, the grantor, transferor or assignor, as the case may be, shall be and hereby is entirely relieved and freed of all obligations of Landlord under this Lease accruing after such sale, transfer or assignment, and the grantee, transferee or assignee, as the case may be, shall be deemed to have assumed and agreed to perform and observe all of the obligations of Landlord under this Lease during the period it is the owner of the interest of Landlord under this Lease but subject, however, to any provisions of this Lease limiting Landlord's liability.

I. Mortgage: Any mortgage or deed of trust, and the word mortgagee shall mean the holder of any mortgage or the beneficiary of any deed of trust.

J. Percentage Rent: The amount for any period computed in accordance with the provisions of Section 3.02.

K. Person: A natural person, a partnership, a corporation and any other form of business or legal association or entity.

L. Real Estate Taxes: Without duplication or profit, all taxes, assessments, improvement bonds, utility hook-up fees, license and permit fees and other governmental charges and costs and water and sewer rents, if any, ordinary and extraordinary, general and special, foreseen and unforeseen, levied against the Demised Premises (or, in the absence of a separate assessment in respect of the Demised Premises, allocated to the Demised Premises by Landlord, acting reasonably, and in such regard, Landlord may refer to the valuation and assessment methodology and principles used by the relevant assessment authority which may include utilizing

information made available by such assessment authority); all assessments and duties, including local improvements, levied or attributable with respect to the Tenant's leasehold improvements and the Demised Premises, including business taxes (excluding land transfer tax or any other tax payable on the sale or transfer of land); and all taxes imposed upon Landlord with respect to the Rent payable hereunder, together with the costs incurred by Landlord in administering same (the "Allocated Share"). In the event that the relevant assessment authority does not provide Landlord with information regarding its valuation and assessments methodology, Landlord shall, to the extent reasonable, employ the income approach to valuation in its determination of the Allocated Share, by which Landlord shall take into consideration current calculation practices utilized in the industry for similar Shopping Centres. The Real Estate Taxes shall in all instances be calculated on the basis of the Shopping Centre being fully constructed, leased, occupied and taxed at the applicable occupied tax rate. Real Estate Taxes shall not include any income taxes, corporation taxes, business taxes or capital taxes of Landlord and Landlord shall credit to Real Estate Taxes any contribution received in respect of such Real Estate Taxes for occupants of any of the areas excluded from the Floor Space of the Shopping Center and Major Space.

M. Rent: The Fixed Rent plus the Percentage Rent and Additional Rent.

N. Rental Taxes: Any tax or duty imposed upon either Landlord or Tenant which is measured by or based in whole or in part directly upon the Rent payable under this Lease or in respect of the rental or rental value of premises under this Lease whether existing at the date hereof or hereafter imposed by any governmental authority including, without limitation, harmonized sales taxes, goods and services taxes, value added tax, business transfer tax, sales tax, federal sales tax, excise taxes or duties or any tax similar to the foregoing.

O. Requirements: All applicable laws, statutes, ordinances (including, but not limited to, building codes and zoning regulations and ordinances), orders, rules, regulations and requirements of all federal, provincial, regional and municipal governments, and the appropriate agencies, officers, departments, boards and commissions thereof, and the board of fire underwriters and/or the fire insurance rating organization or similar organization performing the same or similar functions, whether now or hereafter in force, applicable to the Shopping Centre or any part thereof and/or the Demised Premises or the use or manner of use of the Shopping Centre or any part thereof and/or the Demised Premises or the sidewalks and curbs adjacent thereto.

P. Term: The Initial Term and any extension of the Term agreed to by the parties or exercised pursuant to an Option to Extend, but in any event the Term shall end on any date when this Lease is sooner terminated by agreement or by operation of law.

ARTICLE II DEMISE AND CONSTRUCTION

2.01 DEMISE. Upon and subject to the terms and conditions of this Lease, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Demised Premises for the Term. If the Demised Premises is under construction in a new Shopping Centre, the dimensions, shape and location of the Demised Premises as described herein are approximate and it is agreed and understood by Tenant that, upon the completion of construction of the Demised Premises, the actual number of square feet of Floor Space will be measured by Landlord's architect, at Landlord's sole cost and expense, and the number of square feet of Floor Space previously stated in Section 1.01 (F) adjusted as may be required, provided that Tenant shall not be required to pay any Rent on Floor Space in excess of 2,350 square feet. Tenant also acknowledges that Landlord reserves the right to change the unit designation of the Demised Premises. Notwithstanding the foregoing, Landlord reserves exclusively to itself and Tenant shall have no right in and to, except where specifically permitted in this Lease (a) the use of the exterior faces of all perimeter walls, (b) the use of the roof, (c) the use of the land, improvements and space below the bottom of the lower floor slabs of the Demised Premises and above the interior surface of the ceiling of the Demised Premises, and (d) the use of the improvements and space above the highest ceiling of the Demised Premises. Landlord also reserves and Tenant shall have no right in and to the air rights above Tenant's store.

2.02 CONSTRUCTION. A. Landlord shall construct and complete the Demised Premises to the extent required to substantially comply with the "Landlord's Work" requirements of Exhibit "A", attached hereto ("Landlord's Work").

B. Tenant shall construct its initial interior improvements to the Demised Premises ("Tenant's Work") in accordance with plans and specifications which have been submitted to, and as approved by, Landlord, and in accordance with the "Tenant's Work" provisions of Exhibit "A". Tenant's Work shall be performed using union labor (as, and to the extent that union labor is necessary or required in the geographic area of the Shopping Centre) and in a good and workmanlike manner using quality materials at Tenant's sole cost and expense.

2.03 ACCEPTANCE OF DEMISED PREMISES. The entry by Tenant upon the Demised Premises shall be conclusive evidence against Tenant as an admission that every part of the Demised Premises is accepted 'as is', subject only to punch list items as set forth in Section 1.01E. Landlord shall be responsible for any latent defects in the Demised Premises, including defects caused by use of improper materials or faulty workmanship by Landlord's contractors, for one year after the Delivery Date. Subject to Section 7.02, upon the first anniversary of the Delivery Date, all latent defects with respect to the specific existence of which Tenant shall not have given notice to Landlord shall be waived. Landlord shall have no responsibility in any respect for damages to property of Tenant caused by water, flooding, waves or fluids of any nature or origin whatsoever.

ARTICLE III FIXED RENT, ADDITIONAL RENT AND SECURITY

3.01 PAYMENT OF FIXED RENT AND ADDITIONAL RENT. Commencing upon the Commencement Date, Tenant shall pay the Fixed Rent in equal monthly installments in advance of the first day of each month during the Term. If the Commencement Date is not the first day of a month, Fixed Rent for the period commencing on the Commencement Date and ending on the last day of the month in which the Commencement Date occurs shall be apportioned on the basis of the number of days in said month as compared to 365 days and paid on the Commencement Date. For purposes under this Lease, the Fixed Rent and all Additional Rent shall be deemed to be expressed in, and be paid promptly when due, in lawful Canadian dollars, without notice or demand and without deduction, abatement, counterclaim or setoff of any amount or for any reason whatsoever, except as may be specifically permitted in this Lease, to Landlord at the address of Landlord set forth at the head of this Lease or such other address as Landlord may designate or to such other person as Landlord may designate.

3.02 PERCENTAGE RENT. A. Within 15 days after the end of each calendar month, Tenant shall submit to Landlord a statement certified by Tenant (by an authorized officer if Tenant is a corporation or by a partner if Tenant is a partnership) stating the Gross Sales (including an itemization of all claimed deductions therefrom) for such month. For that calendar month in which cumulative Gross Sales for the Lease Year in question shall exceed Base Gross Sales for such Lease Year, Tenant shall simultaneously therewith pay to Landlord, as Percentage Rent, an amount equal to the product of (a) the Percentage Rent Rate and (b) the difference between the cumulative Gross Sales for the Lease Year in question and the Base Gross Sales. Thereafter, Tenant shall pay simultaneously with each monthly report to Landlord, as Percentage Rent, for the remainder of such Lease Year, an amount equal to the product of (a) the Percentage Rent Rate and (b) the Gross Sales for each succeeding calendar month. For any partial calendar month at the beginning of the Term, the Base Gross Sales for such month shall be included in the first Lease Year. Within 90 days after the end of each Lease Year and after the end of the Term, Tenant shall submit to Landlord a statement certified by an authorized officer of Tenant stating the Gross Sales (including an itemization of all claimed deductions therefrom), for such Lease Year. During any period of time (computed on a daily basis) when the Demised Premises is not open for business to the public when required under this Lease to be so open, except where Landlord has permitted Tenant to cease operation from the Demised Premises, then, for purposes of computing the Percentage Rent hereunder, Gross Sales for the period(s) of the immediately preceding Lease Year corresponding to the periods of closure of the Demised Premises during the then current Lease Year (or in the case of a closing during the first year of the Term, Gross Sales for such year, or portion thereof, shall be increased proportionally to correspond to the periods of closure of the Demised Premises) shall be added to the Gross Sales for such current Lease Year. Tenant shall require its subtenants,

concessionaires and licensees to furnish similar statements as are required hereunder. All such statements shall be in such form and style and contain such details and breakdown as Tenant provides for the majority of its stores in Canada. If Tenant shall fail to prepare and deliver said statement of Gross Sales required herein, Landlord, upon ten (10) days written notice to Tenant, may do any and all of the following: (i) elect to treat Tenant's failure to report as a default of this Lease; (ii) to estimate Tenant's Gross Sales for any non-reported period and bill Tenant for Percentage Rent accordingly.

B. Tenant will install, and during the Term of this Lease will maintain, a cash register or registers capable of recording continuous totals of all receipts of sales made and services rendered in and from the Demised Premises. Notwithstanding the foregoing, Landlord agrees that the cash register used by Tenant in other shopping centres in Canada will be acceptable for use in this Shopping Centre. For at least 36 months after the expiration of each Lease Year (including any partial Lease Year at the beginning of the Term) and after the end of the Term, Tenant shall keep and maintain (and shall cause all subtenants, concessionaires and licensees to keep and maintain) in the Demised Premises or the main office of Tenant full and accurate books of account and records (including, without limitation, the records of the aforementioned cash register or registers) from which the Gross Sales can be determined for the period in question. Landlord shall have the right from time to time during such 36 month period to inspect and audit all such books and records relating to Gross Sales, and Tenant, each subtenant, concessionaire and licensee will produce the same on request of Landlord. If any such inspection and audit discloses that the Gross Sales were understated, Tenant shall forthwith pay to Landlord any additional Percentage Rent shown to be payable, and if the Gross Sales for any calendar year or partial calendar year were understated by more than 3%, Tenant shall also pay the cost of Landlord's inspection and audit. Landlord does not, in any way or for any purpose, become a partner or joint venturer with Tenant hereunder. The provisions of this Lease relating to Percentage Rent are included solely for the purpose of providing a method whereby rentals are to be measured and ascertained. Notwithstanding anything to the contrary contained in this Lease, the right of Landlord to have the records of Tenant examined or audited with respect to Gross Sales for any Lease Year will only be exercised within thirty-six (36) months from the expiry of such Lease Year or if later, after receipt of the annual statement of Gross Sales for such Lease Year.

3.03 REAL ESTATE TAXES. A. Tenant will pay its share of Real Estate Taxes according to estimates or revised estimates (such estimates shall not be revised more than once per Lease Year) made by Landlord from time to time in respect of periods, not to exceed one (1) year, determined by Landlord. Tenant's payments will be made in monthly instalments in advance for the periods in respect of which the estimates are made. When a bill, interim bill or any other bill from time to time is received by Landlord with respect to previously estimated amounts, Landlord may bill Tenant for its share and, in the case of Real Estate Taxes, the amount separately assessed against the Demised Premises and/or Allocated Share, as the case may be, and Tenant will immediately pay Landlord the billed amount (less amounts previously paid by Tenant on the basis of Landlord's estimate), and the monthly instalments for the remainder of the original period of the estimate.

B. Within one hundred and eighty (180) days after the end of the period for which estimated payments have been made, Landlord will deliver to Tenant, a statement of the Tenant's separate assessment of Real Estate Taxes and/or the Tenant's Allocated Share of Real Estate Taxes, as the case may be. If there has been a shortfall in the amounts payable by Tenant for such Lease Year, Tenant shall pay such shortfall to Landlord as Additional Rent, within thirty (30) days after delivery of Landlord's statement. Any overpayment by Tenant shall be either credited or refunded to Tenant within thirty (30) days after delivery of Landlord's statement. If a rental year is greater or less than the period of the estimate, Tenant's separate assessment and/or Allocated Share, as the case may be, will be adjusted on a per diem basis.

C. Landlord will pay the Real Estate Taxes that are imposed against the Shopping Centre or any part of it. However, Landlord may defer payment of Real Estate Taxes, or defer compliance with statutes, laws or by-laws, regulations or ordinances in connection with the levying of Real Estate Taxes, if it diligently prosecutes the contest or appeal of the Real Estate Taxes. Notwithstanding anything to the contrary, Landlord shall be entitled to the exclusive benefit of any vacant unit Real Estate Tax rebate which may be recovered on account of any unoccupied leasable premises within the Shopping Centre, and Tenant shall not be entitled to any direct or indirect benefit from such rebate.

D. If the Demised Premises are separately assessed, Tenant will pay, as when due, all Real Estate Taxes for the Demised Premises and its share, as set out herein and as allocated to Tenant by Landlord, of Real Estate Taxes on the Common Areas of the Shopping Centre. In the event that Real Estate Taxes for the Demised Premises are not separately assessed, but are included in and form part of the assessment issued for the entire Shopping Centre, Tenant shall be responsible for and shall pay its Allocated Share (as hereinabove described) of Real Estate Taxes in accordance with the provisions of this Article; provided that in the event of an allocation based on the Floor Space of the Demised Premises as compared to the Floor Space of the Shopping Centre, Landlord shall use ninety-five percent (95%) of the Floor Space of the Shopping Centre as its denominator for purposes of determining Tenant's Allocated Share.

E. Notwithstanding anything contained in this Lease to the contrary, Landlord shall, in calculating Tenant's share of Real Estate Taxes, have the further right to exclude in such calculation from the Floor Space of the Shopping Centre the Floor Space allocated to any Major Space. The term "Major Space" shall mean any individual tenant space having at least 15,000 square feet of Floor Space. It is understood that any sums collected by Landlord from the tenant of any Major Space with respect to Real Estate Taxes for the period in question shall be deducted from the Real Estate Taxes for such period in calculating Tenant's share thereof.

3.04 OPERATING COST CHARGE. In consideration of Landlord's administration, operation, management, maintenance and repair of the Shopping Centre and its Common Areas as provided herein, Tenant shall pay to Landlord, as Additional Rent, for and with respect to each and every calendar year during the Term (prorated for any partial calendar year), in equal monthly installments due and payable in advance on the first day of each and every month during the Term commencing with the Commencement Date, the OC Charge as calculated pursuant to Section 1.01(L) herein. Tenant acknowledges and agrees that, because the OC Charge is an amount agreed to by the parties, Tenant shall have no right to review or audit Landlord's books and records concerning common area costs or the OC Charge.

3.05 ADVERTISING FEE. In consideration of Landlord's advertising, marketing and promotion of the Shopping Centre, Tenant shall pay to Landlord, as Additional Rent, for and with respect to each and every calendar year during the Term (prorated for any partial calendar year), in equal monthly installments due and payable in advance on the first day of each and every month during the Term commencing with the Commencement Date as provided in Article 1.01 (A).

3.06 LATE CHARGES AND RETURN CHEQUE CHARGES. Tenant acknowledges that late payment to Landlord of any Fixed Rent or Additional Rent will cause Landlord to incur costs not contemplated by this Lease, the exact costs being extremely difficult to ascertain. Accordingly, if payment of any Fixed Rent or Additional Rent shall not have been paid by the date on which such amount was due and payable a late charge equal to one and one-half percent (1½%) per calendar month or any part thereof (or, if such amount exceeds the then maximum lawful interest rate, the then maximum lawful interest rate), from the date on which such amount was due, on the amount overdue shall be payable as damages for Tenant's failure to make prompt payment. In addition to any other penalties or remedies available to Landlord in the event of any late payment by Tenant, if any cheque in payment of any Fixed Rent or Additional Rent is returned to Landlord by Tenant's bank by reason of insufficient funds, uncollected funds or otherwise, a return cheque administrative charge of Fifty Dollars (\$50.00) shall be payable to Landlord by Tenant. The late charges and return cheque administrative charges for any month shall be payable the first day of the following month, and in default of payment of any such charges, Landlord shall have (in addition to all other remedies) the same rights as provided in this Lease for nonpayment of Rent. Landlord and Tenant agree that the foregoing late charges and return cheque administrative charges represent a reasonable estimate of the costs which Landlord will incur by reason of late payment by Tenant and returned cheques, and are fair compensation to Landlord for its loss suffered by such late payment or returned cheque. Nothing in this Section contained and no acceptance of late charges by Landlord shall be deemed to extend or change the time for payment of Fixed Rent or Additional Rent.

3.07 SECURITY DEPOSIT. Intentionally Deleted.

3.08 ACCORD AND SATISFACTION. No payment by Tenant or receipt by Landlord of any lesser amount than the amount stipulated to be paid hereunder shall be deemed

other than on account of the earliest stipulated Fixed Rent or Additional Rent; nor shall any endorsement or statement on any cheque or letter be deemed an accord and satisfaction, and Landlord may accept any cheque or payment without prejudice to Landlord's right to recover the balance due or to pursue any other remedy available to Landlord.

3.09 RENTAL TAXES. Tenant shall pay to Landlord all Rental Taxes applicable from time to time. Landlord shall calculate the amount of Rental Taxes payable by Tenant in accordance with the applicable legislation and Tenant shall pay such amount together with monthly installments of Rent. The amount payable by Tenant under this Section 3.09 shall be deemed not to be Rent for the purpose of such calculation but in the event of a failure by Tenant to pay under this Section 3.09, Landlord shall have the same rights and remedies as it has in the event of default by Tenant in the payment of Rent.

ARTICLE IV COMMON AREAS AND PARKING

4.01 MAINTENANCE OF AND CHANGES IN COMMON AREAS. Subject to the provisions of Section 7.04, Landlord will operate, manage, equip, light, repair and maintain, or cause to be operated, managed, equipped, lighted, repaired and maintained, the Common Areas for their intended purposes as would a prudent and diligent owner of a similar outlet-type shopping centre, having regard to the Shopping Centre's size, age, nature, location and region where the Shopping Centre is situated. Landlord reserves the right, at any time and from time to time to make changes, additions, alterations or improvements in and to such Common Areas (including, without limitation, the right to construct, within the Common Areas, kiosks, fountains, bird cages, aquariums, planters, pools and sculptures, and to install vending machines, telephone booths, benches and the like), provided same shall not unreasonably block or interfere with Tenant's means of ingress or egress to and from the Demised Premises provided however, Landlord shall not permit any permanent or temporary kiosk, pushcart or promotional activity within ten (10) feet directly in front of Tenant's storefront.

4.02 USE OF COMMON AREAS. Tenant and its subtenants, concessionaires and licensees and their respective officers, employees, agents, customers and invitees, shall have the non-exclusive right, in common with Landlord and all others to whom Landlord has granted or may hereafter grant such rights, but subject to the rules and regulations referred to in Section 15.01, to use the Common Areas. Subject to Section 4.01, Landlord reserves the right, at any time and from time to time, to close temporarily all or any portions of the Common Areas for any of the following purposes when in Landlord's reasonable judgment any such closing is necessary or desirable: to make repairs or changes therein or to effect construction, repairs or changes within the Shopping Centre, to prevent the acquisition of public rights in such areas, to discourage non-customer parking or to protect or preserve persons or property and Landlord may do such other acts in and to the Common Areas as in its judgment may be desirable.

4.03 PARKING. Tenant and its officers, agents, and employees (while in the ordinary course of their employment) shall park their vehicles only in areas from time to time designated by Landlord as the areas for such parking. In addition, Landlord shall specifically have, without limitation, the right to require Tenant and Tenant's agents, servants and employees (while in the ordinary course of their employment) to park away from the Shopping Centre, even to the extent that Landlord may prohibit Tenant and Tenant's agents, servants and employees from parking at the Shopping Centre and accordingly, they may be required to park upon public streets or in public parking areas. Tenant shall, upon written notice from Landlord, within five (5) days, furnish Landlord, or its authorized agent, the Provincial automobile license tag number assigned to its automobile or automobiles and the automobiles of all of its officers, agents and employees employed in the Demised Premises. Landlord, after notice to Tenant that Tenant or any of its officers, agents or employees are not parking in said designated parking areas or off-premises, as applicable, may, at its option, in addition to any other remedies it may have, tow away such vehicles at the vehicle owner's expense, and, in addition, after the second such notice in respect of any such violating vehicle, Tenant shall upon demand pay to the Shopping Centre as an additional fee to be applied for advertising the sum of \$50.00 for each subsequent violation, such payment to be deemed Additional Rent. Tenant shall not at any time park or permit the parking of any truck or any delivery vehicle in the parking area, and Landlord hereby reserves the exclusive right with respect to the use of the Common Areas for advertising purposes. Tenant shall require all trucks or other

vehicles serving Tenant to use the service area designated by Landlord. Tenant shall cause all vehicles servicing Tenant to be promptly loaded or unloaded and removed; all such trucks owned or operated by, in behalf of, or servicing, Tenant, shall be compelled by Tenant to comply in all respects with the rules and regulations governing use of truck access, parking, loading and unloading facilities, and permissible hours and places therefor, as the same may be from time to time modified or amended by Landlord acting reasonably; and any breach thereof or failure to comply therewith shall be deemed for all purposes of this Lease to be a breach of or failure to comply with such rules and regulations by Tenant. In addition to the foregoing, Landlord reserves the right, at any time and from time to time, to impose customer parking charges.

ARTICLE V UTILITIES AND SERVICES

5.01 UTILITIES. Electricity, water and sewer (or septic), and telephone service shall be available at the Demised Premises. Except where Landlord elects to provide a utility or service directly, Tenant shall arrange for such service to be placed in Tenant's name through the utility company or service provider. Tenant shall not install any equipment which can exceed the capacity of any utility facilities and if any equipment installed by Tenant requires additional utility facilities, the same shall be installed at Tenant's expense in compliance with all code requirements and plans and specifications which must be approved in writing by Landlord, such approval not to be unreasonably withheld or delayed. Tenant shall be solely responsible for and promptly pay all charges for use or consumption of sewer, gas, electricity, water, trash removal and all other utility services. Landlord may make electrical service available to the Demised Premises, and so long as Landlord continues to provide such electrical service Tenant agrees to purchase the same from Landlord and pay Landlord for the electrical service (based upon Landlord's determination from time to time of Tenant's consumption of electricity), as additional rent, on the first day of each month in advance (and prorated for partial months), commencing on the Delivery Date at the same cost as would be charged to Tenant from time to time by the utility company which otherwise would furnish such services to the Demised Premises if it provided such services and metered the same directly to the Demised Premises, but in no event at a cost which is less than the cost Landlord must pay in providing such electrical service. Landlord may also elect to supply other utilities to the Demised Premises, and so long as Landlord continues to provide such other utilities, Tenant shall pay Landlord for same at the same cost as would be charged to Tenant by the utility company which otherwise would furnish such service to the Demised Premises if it provided such service and metered the same directly to the Demised Premises, but in no event at a cost which is less than the cost Landlord must pay in providing such service, and in no event less than the minimum monthly charge which would have been charged by the utility company in providing such service. Subject to the applicable rules and regulations governing utilities and utility companies, Landlord may provide a shared tenant telephone service to the Demised Premises and so long as Landlord continues to provide such telephone service Tenant agrees to purchase the same from Landlord and pay Landlord for the telephone service at the same cost as would be charged to Tenant by the utility company which otherwise would furnish such service to the Demised Premises if it provided such service directly to the Demised Premises, but in no event at a cost which is less than the cost Landlord must pay in providing such telephone service. Landlord shall have the right to designate an alternate third party utility company or service provider to provide any such utility or service (including, but not limited to, a designated trash contractor) to the Demised Premises and/or the Shopping Centre, in which event Tenant shall pay such utility company or service-provider directly for its service. In the event Tenant requires the use of telecommunication services, including, but not limited to, credit card verification and/or other data transmission, then Tenant shall contract for such services with one of the service providers available at the Shopping Centre.

5.02 HVAC. Tenant shall be responsible for the installation, maintenance, repair and replacement of air conditioning, heating and ventilation systems within and specifically for the Demised Premises, including all components such as air handling units, air distribution systems, motors, controls, grilles, thermostats, filters and all other components. In a new Shopping Centre or a new phase to an existing Shopping Centre, Landlord may elect to provide new HVAC units as part of its standard Workletter, provided that the ongoing maintenance, repair and replacement obligations shall belong to Tenant. Tenant shall contract for, in its own name, and shall pay for a qualified service contractor to periodically inspect, adjust, clean and repair such systems, including changing filters on at least a quarterly basis. Tenant shall promptly, after Landlord's

written request, furnish a copy of each inspection and service report to the Shopping Centre manager. In the case of an interior tenant space (such as in an enclosed mall area or a Food Court) Tenant shall operate ventilation so that the relative air pressure in the Demised Premises will be the same as or less than that in the adjoining mall as required by Landlord.

5.03 TRASH REMOVAL. Landlord shall arrange for the removal of trash from the Common Areas and from receptacles provided for tenant use by Landlord or its designated trash contractor. Tenant shall be responsible for removing trash from the Demised Premises and depositing it into containers provided by Landlord and/or its trash contractor. The costs associated with storing, managing and removing Tenant trash shall be billed to Tenant as Additional Rent by Landlord or, at Landlord's option, shall be billed directly to each Tenant by Landlord's approved contractor, in which event Tenant agrees to pay the trash removal charges directly to said contractor. Tenant's failure to pay such charges in a timely manner shall be deemed a default under Article 13.01 (e) of this Lease.

5.04 ENFORCEMENT AND TERMINATION. Landlord shall not be liable to Tenant in damages or otherwise if any utilities or services, whether or not furnished by Landlord hereunder, are interrupted or terminated because of repairs, installation or improvements, or any cause beyond Landlord's reasonable control, nor shall any such termination relieve Tenant of any of its obligations under this Lease. Tenant shall operate the Demised Premises in such a way as shall not waste fuel, energy or natural resources. Tenant shall cooperate with Landlord's reasonable directives to reduce energy consumption, including installation of new energy efficient equipment or the modification or replacement of existing equipment, as the case may be. If any governmental authority shall order mandatory energy conservation or if Landlord elects voluntarily to cooperate in energy conservation at the request of any governmental authority, including, without limitation, a reduction in operating hours or lighting usage, then Tenant shall comply with such requirements. Landlord may cease to furnish any one or more of said utilities or services to Tenant without liability for the same, and no discontinuance of any utilities or services shall constitute a constructive eviction.

ARTICLE VI USE AND ENJOYMENT OF DEMISED PREMISES

6.01 PERMITTED USES. Tenant shall use the Demised Premises solely for the purpose of conducting the Permitted Uses under the Tenant's Trade Name, and Tenant shall not use or permit or suffer the use of the Demised Premises for any other purpose whatsoever. Tenant agrees that at all times during the Term it shall operate a true 'Manufacturer's Outlet' retail store. Tenant shall discount seventy-five percent (75%) of its merchandise offered for sale at the Demised Premises by at least twenty-five percent (25%) from the regular suggested retail price thereof and shall display two (2) prices (the regular suggested retail price and the discounted selling price) on each item of merchandise offered for sale. Landlord acknowledges that Tenant may sell certain merchandise made specifically for sale at outlet shopping centers ("MFO Merchandise"). Such MFO Merchandise shall display "compare at" or "value priced" on each ticket. Notwithstanding anything to the contrary contained in this Lease, Tenant hereby represents, warrants and covenants to Landlord that Tenant is as of the date hereof, and will remain throughout the Term of the Lease, a 'manufacturer', with the products in the Demised Premises being goods manufactured by or exclusively for Tenant, or produced under its label. Tenant understands and agrees that, notwithstanding any other provision of this Lease, any breach of the representations, warranties and/or covenants contained in the immediately preceding sentence (provided the making of such representations and warranties and the performance of such covenants are not contrary to or prohibited by law) shall be a material default under this Lease which shall entitle Landlord to immediately terminate this Lease in the event that Tenant shall fail to cure such breach within ten (10) days after the giving of notice of such breach from Landlord to Tenant.

Tenant may change its Trade Name, with prior written notice to Landlord, to any trade name containing "Danier", provided that Tenant is changing the trade name of all similarly named stores in Canada.

6.02 OPERATION OF BUSINESS. Except when and to the extent that the Demised Premises shall be untenable by reason of damage by fire, flood or other casualty, Tenant shall:

- (a) fully stock and adequately staff the Demised Premises with trained personnel and shall continuously and uninterruptedly use, occupy, operate and conduct Tenant's business in the entire Demised Premises;
- (b) keep the Demised Premises open for business during all business hours, and on all business days, when the Shopping Centre is open for business as determined by Landlord from time to time (the "Regular Business Hours"); provided that 80% of all other tenants of the Shopping Center are similarly obligated (as applicable to hours only); (Upon reasonable notice to management of the Shopping Center, Tenant shall be permitted to close for not more than three (3) days during the calendar year for the purpose of taking inventory or for the making of permitted alterations while such alteration work is actually in progress.)
- (c) maintain displays of merchandise in Tenant's display windows, if any,;
- (d) keep Tenant's display windows illuminated during the Regular Business Hours;
- (e) use for office, clerical, storage or other non-selling purposes only such space as is reasonably required for the proper operation of Tenant's business in the Demised Premises;
- (f) where practical, use the name of the Shopping Centre in Tenant's local advertising of the Demised Premises, whether printed or visual;
- (g) use the Tenant's Trade Name on store signs and promotional material (and Tenant hereby grants Landlord the right to use the Tenant's Trade Name in brochures, newspapers, advertisements and other promotional material);
- (h) apply for, secure, maintain and comply with all licenses or permits which may be required for the conduct of the Permitted Use and pay, if, as and when due all license and permit fees and charges of a similar nature in connection therewith;
- (i) keep the Demised Premises (including, without limitation, exterior and interior portions of all windows, doors and all other glass) in a neat, clean and safe condition;
- (j) maintain the Demised Premises and Tenant's personal property therein as an attractive shopping area in accordance with the general character of the Shopping Centre;
- (k) where practical, cooperate with Landlord in promoting the use of such trade names and slogans as Landlord may adopt for the Shopping Centre;
- (l) pay before delinquency any and all taxes, assessments and public charges, levied, assessed or imposed upon Tenant's business or the rents payable by Tenant hereunder or upon Tenant's interest in this Lease or use or occupancy of the Demised Premises or leasehold improvements or fixtures, furnishings, equipment or personal property in the Demised Premises;
- (m) handle and dispose of all rubbish, garbage and waste from Tenant's operations in accordance with the rules and regulations established by Landlord including, but not limited to, the use of Landlord's designated garbage contractor, and not permit the accumulation or burning of any garbage in, on or about any part of the Shopping Centre and not permit any garbage or rubbish to be collected or disposed of from the Demised Premises except by a person approved in advance by Landlord;
- (n) take no action which would create any work stoppage, picketing, labor disruption or dispute, or any interference with the business of Landlord or any tenant or occupant in the Shopping Centre or with the rights and privileges of any customer or other person lawfully in or upon the Shopping Centre, nor cause any impairment or reduction of the good will of the Shopping Centre;
- (o) accept at least one (1) major credit card, such as Visa, MasterCard, Discover and/or American Express; and,
- (p) keep all utilities operational at such times as shall be necessary so as to prevent damage to the Demised Premises by the elements.

Tenant shall not:

- (i) operate its business under this Lease so as to violate any restrictive covenant or restrictive agreement contained in any other lease of which Tenant has knowledge;
- (ii) conduct any real or fictitious 'going-out-of-business', auction, liquidation, distress, fire or bankruptcy or similar sale from the Demised Premises, and Tenant shall not be permitted to use any signage to that effect. Tenant agrees that any and all signage that Landlord deems to violate this subsection must be removed at Landlord's request;
- (iii) sell, display or distribute any alcoholic liquors or alcoholic beverages for consumption on or off the Demised Premises;

- (iv) use the Common Areas or any other premises outside of the Demised Premises for the sale or display of any merchandise, for solicitations or demonstrations or for any other business, occupation, undertaking or activity, without Landlord's prior written approval which may be granted or denied in Landlord's sole discretion;
- (v) use or permit or suffer the use of any portion of the Demised Premises for improper, illegal or immoral purposes or for any activity of a type which is not generally considered appropriate for the Shopping Centre or which will in any way conflict with any Requirement;
- (vi) use the plumbing facilities for any purposes other than that for which they were constructed, or dispose of any garbage or other foreign substance therein, whether through the utilization of so-called disposal or similar units, or otherwise;
- (vii) park trucks or other delivery vehicles so as to unreasonably interfere with the use of any driveways, walks, roadways, highways, streets, malls, parking areas or other Common Areas;
- (viii) suffer, permit or commit any waste or any nuisance or other act or thing in the Demised Premises which may disturb any other tenant or occupant in the Shopping Centre;
- (ix) permit any coin or token operated vending or amusement machine or similar device or pay telephone in the Demised Premises;
- (x) permit music or any other sounds in the Demised Premises to be heard outside of the Demised Premises;
- (xi) use or permit or suffer the use of any machines or equipment in the Demised Premises which cause vibration or noise that may be transmitted to or heard in any other building in the Shopping Centre or in any part of the Common Areas;
- (xii) use or permit or suffer any undesirable odor, fumes or vapors to emanate from the Demised Premises;
- (xiii) carry on the business under any name or in any manner or permit any advertising which, in the reasonable judgment of Landlord, reflects adversely on the Shopping Centre, or confuses or misleads the public in any apparent connection or relationship between Landlord and Tenant;
- (xiv) permit window cleaning or other maintenance and janitorial services in and for the Demised Premises to be performed except by such person as shall be approved by Landlord and except during reasonable hours designated for such purposes by Landlord;
- (xv) use any fork-lift truck, tow truck or any other machine for handling freight in the interior delivery system, if any, except for truck passageway portions thereof, or in the Demised Premises, unless the same is powered by electricity;
- (xvi) install, operate, or maintain in the Demised Premises any electrical equipment which will overload the electrical system therein, or any part thereof, beyond its reasonable capacity for proper and safe operation as determined by Landlord in light of the over-all system and requirements therefor in the Shopping Centre or which does not bear underwriter approval;
- (xvii) place a load on any floor in the Demised Premises or the Shopping Centre exceeding the floor load per square foot which such floor was designed to carry, or install, operate or maintain therein any heavy item of equipment except in such manner as to achieve a proper distribution of the weight; or,
- (xviii) operate more than one concept at the Shopping Centre with either the same Trade Name or selling the same merchandise (i.e. each concept selling at least 25% of the same merchandise).

6.03 **FAILURE TO OPERATE.** Tenant acknowledges and agrees that should Tenant fail to comply with the operating covenant of Subparagraph (b) of Section 6.02, except where such non-compliance is due to force majeure, Expropriation or Destruction, or permitted alterations or remodeling of the Demised Premises, then in addition to, but not in limitation of, any and all other remedies which may be available to Landlord, and in addition to any other monetary obligation of Tenant due under this Lease, Tenant shall pay to Landlord a sum equal to Two Hundred Dollars (\$200.00) for each and every instance in which Tenant fails to operate its store during the Regular Business Hours to compensate Landlord for the damage to the Shopping Centre caused by such failure. Such sum shall be in addition to all Rent otherwise payable hereunder.

6.04 **SIGNS.** Tenant shall fabricate and install at Tenant's expense a suitable storefront identification sign and a blade sign of such size, design and character as Landlord shall designate and/or approve, such approval not to be unreasonably withheld or delayed. Tenant shall submit for Landlord's approval one (1) shop drawing prepared by a sign company approved by Landlord at

least sixty (60) days prior to the scheduled opening of the Demised Premises and such sign company shall fabricate and install such sign or signs. In any instance where Landlord permits Tenant to install a second storefront sign (such as on a corner unit), a wall sign, or a tower sign, Tenant shall similarly submit shop drawings for any such additional signage for Landlord's prior approval, which approval shall not be unreasonably withheld or delayed. All signs shall be in accordance with the signage policy or sign criteria established by Landlord and shall be installed at a place or places designated by Landlord and shall comply with the Requirements. Tenant shall maintain all approved signs in good order and repair, and all such signs shall be removed at Tenant's expense upon the expiration or earlier termination of this Lease. Tenant shall also make all necessary repairs to the building fascia upon removal of its signs. Other than signs expressly permitted hereunder, Tenant shall not place or install, or permit or suffer to be placed or installed, maintain any sign upon or outside of the Demised Premises or in any part of the Shopping Centre. Tenant shall not place, install or maintain, or permit or suffer to be placed, installed or maintained, on the exterior of the Demised Premises, any awning, canopy, banner, flag, pennant, aerial, antenna or the like, nor place or maintain on the interior or exterior of the glass of the windows or the doors of the Demised Premises any sign or decal, nor place in the display windows, any signs other than signs of a reasonable size on the floor of the display windows or suspended from the ceiling immediately behind the windows, all in accordance with Landlord's Storefront and Signage Criteria.

If, during the Term hereof, Landlord makes any changes to the Shopping Centre and Tenant is required to change, alter or modify its storefront, including signs thereon, Landlord shall bear the costs thereof.

6.05 COMPLIANCE WITH LAWS. Tenant shall comply with the certificate of occupancy relating to the Demised Premises and with the Requirement; provided, however, that Tenant shall not be required to make any alteration or improvement, structural or otherwise, to the Demised Premises as a result of any such Requirement, unless necessitated by Tenant's manner of use of the Demised Premises. Landlord shall comply with the Requirements relating to the Shopping Center: provided, however Landlord shall have the right to reasonably contest the same.

6.06 ACCESS TO PREMISES AND EXCAVATION. Landlord shall have the right to enter upon and in the Demised Premises at all reasonable times to examine the same and to make such repairs, alterations, improvements and additions in the Demised Premises or in the buildings in the Shopping Centre as Landlord may deem necessary, and Landlord shall be allowed to take all materials into and upon the Demised Premises that may be required therefor without the same constituting an eviction of Tenant, in whole or in part, and the Fixed Rent and Additional Rent shall in no way abate while such repairs, alterations, improvements or additions are being made by reason of loss or interruption of the business of Tenant due to the prosecution of any such work; provided, however, Landlord shall use reasonable efforts not to unreasonably interfere with or interrupt Tenant's business in the Demised Premises, but in no event shall Landlord be required to incur any additional expense for work to be done during hours or days other than regular business hours and days. Landlord shall also have the right to enter upon the Demised Premises at reasonable times to show them to prospective purchasers, lessees (under ground or underlying leases) and mortgagees of all or any part of the Shopping Centre. During the six months prior to the expiration of the Term, Landlord may show the Demised Premises to prospective tenants of the Demised Premises, and during said period Landlord may also place upon the Demised Premises a 'To Let' or 'For Rent' sign, which sign shall not be removed, obliterated or hidden by Tenant. Landlord reserves the right, at any time and from time to time, to install, maintain, use, repair and replace pipes, duct work, conduits, utility lines and wires through hung ceiling space, column space and partitions in the Demised Premises and beneath the lower floor slabs of the Demised Premises, to use all or any part of the side walls, rear walls and roof of the Demised Premises for any purpose, to erect additional stories or other structures over all or any part of the Demised Premises for others to occupy and to erect temporary scaffolds and other aids to construction on the exterior of the Demised Premises, provided that access to the Demised Premises shall not be denied. Nothing herein contained, however, shall be deemed or construed to impose upon Landlord any obligation, responsibility or liability whatsoever for the care, supervision or repair of the Demised Premises other than as in this Lease elsewhere provided. If an excavation or other building operation shall be made upon land or premises above, below or adjacent to the Demised Premises, Tenant shall give to the person authorized to cause such work to be done permission and a license to enter upon and in the Demised Premises for the purpose of doing such work as such person deems necessary to preserve the

building of which the Demised Premises is a part from damage and to support the same with proper foundations, without the same constituting an eviction of Tenant, in whole or in part, and there shall be no abatement of Fixed Rent or Additional Rent; provided, however, Landlord shall use reasonable efforts not to unreasonably interfere with or interrupt Tenant's business in the Demised Premises. Landlord shall indemnify Tenant for all losses, damages and expenses directly caused by Landlord's entry onto the Demised Premises, except if such entry is required as a result of an emergency.

6.07 LIENS. A. Tenant shall not suffer any construction lien to be filed against the Demised Premises or the Shopping Centre by reason of work, labor, services or materials performed or furnished to Tenant or anyone holding any part of the Demised Premises under Tenant. If any such lien shall at any time be filed as aforesaid, Tenant may contest the same in good faith, but, notwithstanding such contest, Tenant shall, within twenty (20) days after the filing thereof, cause such lien to be discharged from title. In the event of Tenant's failure discharge any such lien within the aforesaid period, Landlord may remove said lien by paying the full amount thereof or by bonding or in any other manner Landlord deems appropriate, without investigating the validity thereof, and irrespective of the fact that Tenant may contest the propriety or the amount thereof, and Tenant, upon demand, shall pay Landlord the amount so paid out by Landlord in connection with the discharge of said lien and reasonable expenses incurred in connection therewith, including reasonable attorney's fees, which amounts are due and payable to Landlord as Additional Rent within thirty (30) days after receiving Landlord's written demand. Landlord shall have the right to deduct the expenses incurred by Landlord pursuant to this Article 6.07 from Tenant's Improvement Allowance and/or Security Deposit, if any. Nothing contained in this lease shall be construed as consent on the part of Landlord to subject Landlord's estate in the Demised Premises to any lien or liability under the lien laws of the Province where the Shopping Centre is located. Tenant's obligation to observe and perform any provisions of this Article 6.07 shall survive the expiration of the Lease Term or the earlier termination of this Lease.

B. Tenant shall not create or suffer to be created a security interest or other lien against any improvements, additions or other construction made by Tenant in or to the Demised Premises or against any equipment or fixtures installed by Tenant therein (other than Tenant's property, moveable trade fixtures and furnishings), and should any security interest be created in breach of the foregoing, Landlord shall be entitled to discharge the same by exercising the rights and remedies afforded it under Paragraph A of this Section. The Tenant shall be entitled to create debentures or floating charges on its business undertaking including the Lease and all fixtures, furnishings and leasehold improvements. In addition, the Tenant shall be entitled to enter into leases or to create condition sales contracts or mortgages in order to secure the purchase price of its fixtures, furnishings and inventory.

6.08 RENT ABATEMENT. Notwithstanding anything contained in this Lease to the contrary, if by reason of any of Landlord's work to the Common Area or the Demised Premises or by failure of utilities due to the intentional or negligent act of Landlord or its, agents, contractors, servants or employees, and provided Tenant shall have given Landlord notice of such condition, Tenant closes the Demised Premises for a period of three (3) or more consecutive days because Tenant is not able to operate the Demised Premises, Tenant shall be entitled to an abatement of Fixed Rent from the third day after the closure until the earlier of (a) such date that Tenant shall have reopened the Demised Premises for business or (b) such date that the condition causing such closing has been eliminated.

ARTICLE VII ALTERATIONS, REPAIRS AND CHANGES

7.01 ALTERATIONS BY TENANT. A. Tenant shall not make or cause to be made any improvements, alterations, additions, changes, replacements or installations to the Demised Premises, or make any holes or cuts in the walls, ceilings, roofs, or floors thereof, or change the exterior color or architectural treatment of the Demised Premises, without on each occasion first obtaining the consent of Landlord which consent shall not be unreasonably withheld or delayed, and if such consent is granted, Tenant shall carry such worker's compensation and general liability insurance and such other insurance as Landlord may require, naming Landlord as an additional insured. Tenant shall submit to Landlord plans and specifications for such work at the time

Landlord's consent is sought. Any such improvements, alterations, additions, changes, replacements or installations will be performed in a good and workmanlike manner in accordance with the approved plans and specifications and in compliance with all Requirements and shall be performed and completed by Tenant in an expeditious manner. The cost of such improvements, alterations, additions, changes, replacements or installations shall be paid in cash or its equivalent so that the Demised Premises shall at all times be free of liens for work, labor, services or materials claimed to have been performed or furnished for or on behalf of Tenant or anyone holding any part of the Demised Premises through or under Tenant. All contractors and subcontractors performing work in or to the Demised Premises shall be approved by Landlord prior to the performance of any such work, which approval shall not be unreasonably withheld or delayed and shall be union labor (as, and to the extent, Landlord determines that union labor is necessary or required).

B. Notwithstanding anything contained herein to the contrary, Tenant shall have the right to make nonstructural alterations or additions in an amount not to exceed \$40,000 without the consent of Landlord, provided, with respect to both alterations not requiring Landlord's consent and alterations deemed accepted by Landlord due to Landlord's failure to respond to Tenant's request for Landlord's consent, (1) Tenant shall otherwise comply with the requirements of Section 7.01 including, but not limited to, the carrying of insurance as provided in said Section (with respect to the nonstructural alterations or additions which do not exceed \$40,000, Tenant shall not be required to submit to Landlord the plans and specifications for such alterations or additions) and (b) such alterations or additions shall, when completed, be of such a character which will not reduce the value, rentability or usefulness of the Demised Premises or will not affect the facade, mechanical, electrical or structural components or either the Demised Premises or the Shopping Center or which would not reduce the Floor Space of the Demised Premises. All other proposed additions and alterations shall be subject to the consent of the Landlord, which consent shall not be unreasonably withheld or delayed.

7.02 REPAIRS BY LANDLORD. Landlord shall make necessary structural repairs, including structural steel, exterior and bearing walls, floor slab and columns, to the Demised Premises (but excluding windows and window frames, doors, plate glass, store fronts, showcases and signs) and shall keep in good condition and repair the foundations and roof of the Demised Premises and those portions of the utility systems which are for common use. Landlord shall not be required to make any such repairs where same were caused or occasioned by any act, omission or negligence of Tenant, any subtenant, concessionaire or licensees of Tenant, or any of their respective officers, employees, agents, customers, invitees or contractors. Landlord shall not be required to commence any such repair until notice shall be received from Tenant specifying the nature of the repair. The provisions of this Section shall not apply in the case of damage by fire or other casualty or by eminent domain, in which event the obligations of the parties shall be as provided in other Sections of this Lease. All costs and expenses incurred by Landlord pursuant to the provisions of this Section shall be deemed to constitute Common Area Costs.

7.03 REPAIRS AND MAINTENANCE BY TENANT. Except for repairs required to be performed by Landlord under Section 7.02, Tenant shall make all repairs and replacements to, and shall keep clean, neat, safe, sanitary, in good order, repair and condition (including all painting and decorating necessary to maintain at all times a clean and slightly appearance) and free of vermin, the Demised Premises, including both inside and the outside, and any equipment, facilities, fixtures and systems including but not limited to, the HVAC systems, sprinklers, and the fire detection and/or prevention systems therein. In making repairs, Tenant shall use materials equal in kind and quality to the original work. Tenant shall repaint and refurbish the Demised Premises at reasonable periodic intervals to assure that the Demised Premises is kept in a first-class and attractive condition through the Term. Tenant shall keep in full force and effect during the Term hereof a maintenance contract for the HVAC system with a company reasonably designated by Landlord, which contract shall include specific provisions for regularly scheduled periodic routine maintenance. Tenant shall deliver to Landlord a copy of the same and all renewals thereof. The provisions of this Section shall not apply in the case of damage by fire or other casualty or by eminent domain, in which event the obligations of the parties shall be as provided in other Sections of this Lease. All alterations and repairs hereunder shall be performed by contractors approved by Landlord and all such work shall conform to existing structures and quality at the Shopping Centre.

Upon Tenant's request, Landlord shall make available to Tenant to the extent then possible, the benefit of all warranties and guarantees given to Landlord, if any, which affects the obligation of Tenant to repair the Demised Premises.

7.04 CHANGES BY LANDLORD. Landlord reserves the right, at any time and from time to time, to increase, reduce or change the number, type, size, location, elevation, nature and use of any of the Common Areas and any of the buildings and other improvements in the Shopping Centre (excluding the Demised Premises), including, without limitation, the right to move and/or remove same and to add additional stories thereon, provided same shall not unreasonably block or interfere with Tenant's means of ingress or egress to and from the Demised Premises or materially interfere with the substantive visibility of Tenant's permitted exterior signs.

7.05 LANDLORD'S CONSENT. In no event shall Landlord be required to consent to any improvements, alterations, additions, changes, replacements or installations which, when completed, will, in Landlord's judgment, acting reasonably, be of such a character which will reduce the value, rentability or usefulness of the Demised Premises or which will affect the facade, mechanical, electrical or structural components of either the Demised Premises or the Shopping Centre or which would reduce the Floor Space of the Demised Premises or which are not in accordance with the design criteria for the Shopping Centre.

ARTICLE VIII INSURANCE AND INDEMNITY

8.01 BY TENANT. A. Tenant agrees to carry commercial general liability insurance on the Demised Premises during the Lease Term, covering the Tenant and naming Landlord, CPG Holdings, LLC, and the property management company, if any, as additional insureds with terms and companies satisfactory to Landlord, on an Occurrence form with a limit of not less than \$1,000,000.00 for any one (1) occurrence, together with Umbrella or Excess insurance in an amount of not less than \$2,000,000.00. Tenant's insurance will include contractual liability coverage recognizing this Lease, products and completed operations liability and providing that Landlord and Tenant shall be given a minimum of sixty (60) days written notice by the insurance company prior to cancellation, termination or change in such insurance. Tenant also agrees to carry insurance against fire and such other risks as are from time to time required by Landlord, including, but not limited to, a standard "All Risk" policy of property insurance protecting against all risk of physical loss or damage, including without limitation, sprinkler leakage coverage and plate glass insurance covering all plate glass in the Demised Premises (including store fronts), in amounts not less than the actual replacement cost, covering all of Tenant's merchandise, trade fixtures, furnishing, wall covering, floor covering, carpeting, drapes, equipment and all items of personal property of Tenant located on or within the Demised Premises. Upon the Delivery Date and annually thereafter, Tenant shall provide Landlord with certificates evidencing that such insurance is in full force and effect and stating the terms thereof, including all endorsements at the following address (or such other address as Landlord may notify Tenant): Donald P. Pipino Company, Ltd., 7600 Market St, Boardman, OH 44512. The minimum limits of the commercial general liability policy of insurance shall in no way limit or diminish Tenant's liability under Section 8.05 hereof and shall be subject to increase at any time, and from time to time, after the commencement of the fifth (5th) year of the Term if Landlord in the exercise of its reasonable judgment shall deem same necessary for adequate protection. Within thirty (30) days after demand therefor by Landlord, Tenant shall furnish Landlord with evidence that it has complied with such demand.

Notwithstanding anything to the contrary contained within this Lease, Tenant's obligations to carry the insurance provided for herein may be brought within the coverage of a so-called blanket policy or policies of insurance carried and maintained by Tenant; provided, however, that Landlord shall be named as an additional insured thereunder as its interests may appear and that the coverage afforded Landlord will not be reduced or diminished by reason of the use of such blanket policy of insurance, and provided further that the requirements set forth herein are otherwise satisfied.

B. Notwithstanding the above mentioned commercial general liability insurance policy limit for Tenant, if Tenant after obtaining Landlord's prior written consent, does or intends to bring, possess, use, store, treat or dispose any Hazardous Material (as defined as corrosive, toxic, flammable or reactive material) in or upon the Demised Premises or the Shopping Centre, Landlord shall have the right, as a condition to such consent, to require Tenant to purchase additional public liability insurance with coverage of no less than Five Million and 00/100 Dollars (\$5,000,000.00) and to purchase environmental impairment liability insurance with

coverage of no less than Five Million and 00/100 Dollars (\$5,000,000.00) with a deductible of no greater than Fifty Thousand and 00/100 Dollars (\$50,000.00) to insure that anything contaminated with or by the Hazardous Material be removed from the Demised Premises and/or the Shopping Centre, and that the Demised Premises and/or the Shopping Centre be restored to a clean, neat, attractive, healthy, sanitary and non-contaminated condition.

8.02 MUTUAL WAIVER OF SUBROGATION RIGHTS. Landlord and Tenant and all parties claiming, by, through or under them mutually release and discharge each other from all claims and liabilities arising from or caused by any casualty or hazard covered or required hereunder to be covered in whole or in part by property insurance on the Demised Premises or in connection with property on or activities conducted on the Demised Premises, and waive any right of subrogation which might otherwise exist in or accrue to any person on account thereof and further agree to evidence such waiver by endorsement to the required insurance policies, provided that such release shall not operate in any case where the effect is to invalidate or increase the cost of such insurance coverage (provided that in the case of increased cost, the other party shall have the right, within thirty (30) days following written notice, to pay such increased cost thereby keeping such release and waiver in full force and effect).

8.03 WAIVER. Except to the extent caused by the negligence, willful act or omission of Landlord or those for whom Landlord is at law responsible, Landlord, its agents and employees, shall not be liable for, and Tenant waives all claims for, loss or damage, including but not limited to consequential damages, to person, property or otherwise, sustained by Tenant or any person claiming through Tenant resulting from any accident, casualty or occurrence in or upon any part of the Shopping Centre including, but not limited to, claims for damage resulting from: (a) any equipment or appurtenances becoming out of repair; (b) Landlord's failure to keep any part of the Shopping Centre in repair; (c) injury done or caused by wind, water, or other natural element; (d) any defect in or failure of plumbing, heating or air conditioning equipment, electric wiring or installation thereof, gas, water, and steam pipes, stairs, porches, railings or walks; (e) broken glass; (f) the backing up of any sewer pipe or downspout; (g) the bursting, leaking or running of any tank, tub, washstand, water closet, waste pipe, drain or any other pipe or tank in, upon or about the Demised Premises; (h) the escape of steam or hot water; (i) water, snow or ice upon the Demised Premises; (j) the falling of any fixture, plaster or stucco; (k) damage to or loss by theft or otherwise of property of Tenant or others; (l) acts or omissions of persons in the Demised Premises, other tenants in the Shopping Centre, occupants of nearby properties, or any other persons; and (m) any act or omission of owners of adjacent or contiguous property, or of Landlord, its agents or employees. All property of Tenant kept in the Demised Premises shall be so kept at Tenant's risk only and Tenant shall save Landlord harmless from claims arising out of damage to the same, including subrogation claims by Tenant's insurance carrier.

8.04 INSURANCE - TENANT'S OPERATION. Tenant will not do or suffer to be done anything which will contravene Landlord's insurance policies or prevent Landlord from procuring such policies in amounts and companies selected by Landlord. If anything done, omitted to be done or suffered to be done by Tenant in, upon or about the Demised Premises shall cause the rates of any insurance effected or carried by Landlord on the Demised Premises or other property to be increased beyond the regular rate from time to time applicable to the Demised Premises for use for the purpose permitted under this Lease, or such other property for the use or uses made thereof, Tenant will pay the amount of such increase promptly upon Landlord's demand and Landlord shall have the right to correct any such condition at Tenant's expense. In the event that this Lease so permits and Tenant engages in the preparation of food or packaged foods or engages in the use, sale or storage of inflammable or combustible material, Tenant shall install chemical extinguishing devices (such as ansul) approved by Underwriters Laboratories and Factory Mutual and the installation thereof must be approved by the appropriate local authority. Tenant shall keep such devices under service as required by such organizations. If gas is used in the Demised Premises, Tenant shall install gas cut-off devices (manual and automatic). Landlord represents and warrants that Tenant's Permitted Use, as set out in this Lease, does not contravene Landlord's insurance policies.

8.05 INDEMNIFICATION. Tenant shall save harmless, indemnify, and at Landlord's option, defend Landlord, its agents and employees, and mortgagee, if any, from and against any and all liability, liens, claims, demands, damages, expenses, fees, costs, fines, penalties, suits, proceedings, actions and causes of action of any and every kind and nature arising or growing

out of or in any way connected with Tenant's use, occupancy, management or control of the Demised Premises or Tenant's operations, conduct or activities in the Shopping Centre, or the actions of those for whom Tenant is at law responsible.

8.06 TENANT'S CONTRACTORS. All contractors entering upon the Demised Premises or the Shopping Centre on behalf of Tenant shall comply with Landlord's reasonable insurance requirements for contractors, as reasonably established by Landlord from time to time.

ARTICLE IX SUBORDINATION AND ATTORNMENT

9.01 SUBORDINATION TO LEASES. This Lease and Tenant's interest herein (including, without limitation, Tenant's rights in respect of the Common Areas) are and shall be subject and subordinate to each and every ground lease or underlying lease now existing or hereafter made of the Shopping Centre or any part thereof of which the Demised Premises is a part and to all renewals, modifications, replacements and extensions thereof. This Section shall be self-operative and no further instrument or subordination shall be required. In confirmation of such subordination, Tenant shall upon request of Landlord, within 10 business days of receipt of same, execute, acknowledge and deliver any and all documents and instruments subordinating this Lease and Tenant's interest herein, to any ground or underlying lease.

9.02 SUBORDINATION TO MORTGAGES. This Lease and Tenant's interest herein (including, without limitation, Tenant's rights in respect of the Common Areas) shall be, unless otherwise required by Mortgagee, subject and subordinate to all mortgages now existing or hereafter made covering the Shopping Centre or any part thereof (which shall include leasehold mortgages) and to all renewals, modifications, replacements, consolidations and extensions thereof and to any and all advances made thereunder and the interest thereon. This Section shall be self-operative and no further instrument of subordination shall be required. In confirmation of such subordination, Tenant shall upon request of Landlord, within 10 business days of receipt of same, execute, acknowledge and deliver any and all documents and instruments subordinating this Lease and Tenant's interest herein to any such fee or leasehold mortgage.

Landlord represents that, as of the date hereof, the Shopping Center is not encumbered by any mortgage.

9.03 ATTORNMENT. In the event of (a) a transfer of Landlord's interest in the Demised Premises, (b) the termination of any ground or underlying lease or (c) the purchase of the Demised Premises or Landlord's interest therein in a foreclosure sale or by deed in lieu of foreclosure under any mortgage or the purchase pursuant to a power of sale contained in any mortgage, then in any of such events Tenant shall attorn to and recognize such succeeding party as Tenant's landlord under this Lease for the balance then remaining of the Term, and Tenant shall promptly execute and deliver any instrument that such succeeding party may reasonably request to evidence such attornment (provided that such attornment shall be self-operative). Notwithstanding the subordination set forth in Section 9.02 above, upon such attornment, this Lease shall continue in full force and effect as a direct lease between such succeeding party and Tenant upon all of the terms, conditions and covenants as are set forth in this Lease except the succeeding Landlord, who shall have succeeded by or through the rights of the holder of any mortgage, shall not be liable for any act or omission of Landlord prior to such lease termination or prior to such person's succession to title, nor be subject to any offset, defense or counterclaim accruing prior to such lease termination or prior to such person's succession to title, nor be bound by any payment of Fixed Rent or Additional Rent prior to such lease termination or prior to such person's succession to title for more than one month in advance or by any amendment or modification of this Lease or any waiver, compromise, release or discharge of any obligations of Tenant hereunder, unless such amendment, modification, waiver, compromise, release, discharge or prepayment shall have been expressly approved by the holder of any mortgage through or by reason of which succeeding Landlord shall have succeeded to the rights of Landlord under this Lease.

9.04 DELIVERY OF DOCUMENTS. If Tenant fails to execute, acknowledge or deliver any of the documents or instruments required under this Article, same shall be deemed a material default of Tenant.

9.05 CONSENT OF LANDLORD. Notwithstanding anything to the contrary provided in this Lease, in any instance where the consent of the holder of any ground or underlying lease or the holder of any mortgage may be required, Landlord shall not be required to give its consent until and unless the holder of any ground or underlying lease and/or the holder of any mortgage has given its consent. Nothing in this Section or elsewhere in this Lease shall be construed to require Landlord to give its consent to any matter to which Landlord's consent is required to be obtained.

9.06 SUBORDINATION TO DECLARATION. This Lease shall be subject to any covenants, conditions and restrictions that may be promulgated from time to time and to which the operation and maintenance of the Shopping Centre may be bound, as the same may be amended or established from time to time.

ARTICLE X ASSIGNMENT AND SUBLETTING

10.01 ASSIGNMENT OR SUBLETTING. Tenant shall not, (by operation of law or otherwise), without the prior written consent of Landlord, which consent Landlord may withhold in its sole and absolute discretion, and notwithstanding any statutory provision now in effect or hereafter enacted, assign or sell, or in any manner transfer this Lease or any interest therein, or sublet all or part of the Demised Premises, or grant any concession or license or otherwise permit anyone to conduct business at or occupy all or part of the Demised Premises (whether as concessionaire, franchisee, licensee, permittee, subtenant, department operator or otherwise). Under no circumstances shall Tenant mortgage, pledge or otherwise collaterally transfer its interest in this Lease. Without limiting any of the other provisions contained in this Article 10, the restrictions of this Article shall apply to the following, regardless of whether the result of a single transaction or a series of related or unrelated transactions, and/or whether on a direct or indirect basis: (i) any merger, consolidation, liquidation or other reorganization of Tenant or of Tenant's Indemnifier or of any corporate entity which directly or indirectly controls Tenant; (ii) the sale, issuance, or transfer of any voting capital stock of Tenant or any Tenant's Indemnifier or any voting capital stock of any corporate entity which directly or indirectly controls Tenant (if any one of such entities, Tenant or Tenant's Indemnifier or any such controlling corporate entity, is a corporation the stock of which is not traded on a recognized stock exchange in Canada or the United States), which results in a change in the direct or indirect voting control (or a change in the identity of any persons, entity or entities with the power to vote or control at least fifty percent (50%) of the voting shares of any class of stock) of Tenant, or Tenant's Indemnifier; (iii) if Tenant is a partnership, trust, limited liability company or an unincorporated association, then the sale, issuance or transfer of a controlling interest or ownership therein, or the transfer of a controlling interest or ownership of any partnership, trust, limited liability company, or unincorporated association, which directly or indirectly controls Tenant or Tenant's Indemnifier or; (iv) any change or conversion of Tenant or of any entity which directly or indirectly controls Tenant to a limited liability company, a limited liability partnership, or any other entity which possesses the characteristics of limited liability; (v) the sale, assignment or other transfer of either (a) fifty percent (50%) or more of Tenant's assets related to its retail operations, or (b) twenty-five percent (25%) or more of the stores operated under Tenant's Trade Name; (vi) any transfer to or by a receiver or bankruptcy trustee in any federal or state bankruptcy, insolvency, or similar proceeding. Any act prohibited by this Article 10, whether voluntary or involuntary or by operation of law or otherwise, shall be absolutely and unconditionally null and void and of no force and effect whatsoever and, at Landlord's option, shall be deemed a default under this Lease. As used in this paragraph, the term "control" shall mean the ownership of and the power to vote more than fifty percent (50%) of the voting stock of a corporation or more than fifty percent (50%) of the ownership interests in any partnership or other business entity. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, or the termination hereof by Landlord pursuant to any provision contained herein, shall not work a merger and shall, at the option of Landlord, terminate all or any existing franchises, concessions, licenses, permits, subleases, subtenancies, departmental operating arrangements or the like, or may, at the option of Landlord, operate as an assignment to Landlord of the same. Nothing contained elsewhere in this Lease shall authorize Tenant to enter into any franchise, concession, license, permit, subtenancy, departmental operating arrangement or the like, except pursuant to the provisions of this Article. Landlord has entered into this Lease with Tenant in order to obtain the unique attraction of Tenant's Trade Name as set forth in this Lease, and the unique merchandising mix and product line associated with Tenant's business as described in this Lease,

the identity and special skill of Tenant in its ability to conduct the specific business identified in this Lease, and the foregoing prohibition on assignment or subletting or the like is expressly agreed to by Tenant as an inducement to Landlord to lease to Tenant. Tenant hereby acknowledges that the foregoing provisions of this Article 10 constitute a freely negotiated restraint on alienation.

10.02 NOTICE. Provided Tenant is not in default under any of the terms and conditions of this Lease, in the event Tenant desires to sublet, or permit such occupancy of the Demised Premises, or any portion thereof, or assign this Lease, Tenant shall give written notice thereof to Landlord at least thirty (30) days but no more than ninety (90) days prior to the proposed effective date of such subletting or assignment, which notice shall set forth the name of the proposed subtenant or transferee, the relevant terms of any sublease or assignment and copies of financial reports and other relevant financial information of the proposed subtenant or transferee. Tenant shall also submit such other information requested by Landlord in connection with the proposed transfer or transferee. Subject to the provisions of Section 10.04, Landlord shall in its sole and absolute discretion within sixty (60) days after its receipt of such notice of a proposed transfer, by giving written notice to Tenant of its intention to do so: (a) withhold its consent to the transfer; (b) consent to the transfer; or (c) terminate this Lease, such termination to be effective one hundred eighty (180) days after receipt of such notice by Tenant provided, however, that Tenant may reduce the one hundred eighty (180) day period by paying to Landlord, in advance, the Rent and Additional Rent that would have been paid for the number of days the one hundred eighty (180) day period is reduced. Failure of Landlord to give Tenant written notice of Landlord's action with respect to any request for Landlord's consent to a proposed transfer shall not constitute or be deemed Landlord's consent to such transfer. Landlord's consent to a proposed transaction shall only be given if and when Landlord has notified Tenant in writing that Landlord consents to such proposed transfer.

10.03 TERMINATION OPTION. If Landlord shall exercise its termination right hereunder, Landlord shall have the right to enter into a lease or other occupancy agreement directly with the proposed transferee, and Tenant shall have no right to any of the rents or other consideration payable by such proposed transferee under such other lease or occupancy agreement, even if such rents and other consideration exceed the rent payable under this Lease by Tenant. Landlord shall have the right to lease the Demised Premises to any other tenant, or not lease the Demised Premises, in its sole discretion. **Tenant may, however, elect to nullify Landlord's election to terminate this Lease by furnishing Landlord with written notice of Tenant's election to withdraw its proposed transfer within ten (10) days of Tenant's receipt of Landlord's notice of termination, in which event the Lease shall remain in effect with the existing Tenant.** Landlord and Tenant specifically agree that Landlord's election to terminate this Lease under this Article may be made in Landlord's sole and absolute discretion and that no test of reasonableness shall be applicable thereto. Failure of Tenant to furnish Landlord notice of Tenant's election to nullify shall be deemed Tenant's consent to Landlord's termination of this Lease. If Landlord exercises its right to terminate this Lease pursuant to this Section 10.03, effective upon such termination, Tenant shall pay to Landlord the then unamortized amount of the Construction Allowance, if any, such amortization to be computed on a straight line basis (without interest) over the initial term of this Lease.

10.04 MISCELLANEOUS. Tenant agrees to reimburse Landlord for Landlord's expenses, including reasonable attorneys' fees, incurred in conjunction with the processing of documentation or any such requested transfer, assignment, subletting, licensing or concession agreement, change of ownership or hypothecation of this Lease or Tenant's interest in the Demised Premises to a maximum total of \$1,500.00 plus applicable taxes. In the event Landlord consents to such transfer, Tenant shall provide Landlord promptly with fully executed copies of all assignments, subleases and related instruments which shall be in a form reasonably acceptable to Landlord and wherein the transferee shall assume all of Tenant's obligations under this Lease. Without conferring any rights onto Tenant not otherwise provided in this Article, all rent or other payment accruing to Tenant as the result of any assignment, transfer, sublease or other occupancy agreement with respect to the Demised Premises or any part thereof, including any lump sum or periodic payment in any manner, which exceeds the rent calculated on a per square foot basis then payable by Tenant under this Lease shall be paid by Tenant to Landlord monthly as Additional Rent (except where such consideration is allocated to Tenant's business goodwill, Tenant's interest in the leasehold improvements, royalty or franchise fees and customary brokerage or legal fees). If this Lease shall be assigned or if the Demised Premises or any part

thereof shall be sublet or occupied by any person or persons other than the original Tenant named therein, Landlord may collect rent from any such assignee and/or any subtenants or occupants, and apply the net amounts collected to the Fixed Rent and Additional Rent, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of any of the provisions of this Article, or the acceptance of the assignee, subtenant or occupant as Tenant, or a release of any person from the further performance by such person of the obligations of Tenant under this Lease. No consent by Landlord to any transfer, assignment or sublease by Tenant shall relieve Tenant of any obligation to be performed by Tenant under this Lease, whether arising before or after the transfer, assignment or sublease. The consent by Landlord to any transfer, assignment or sublease shall not relieve Tenant of the obligation to obtain Landlord's express written consent to any other transfer, assignment or sublease.

Notwithstanding anything to the contrary contained in this Article, Tenant shall be entitled to transfer this Lease, without Landlord's consent and without such transfer being subject to Landlord's termination right as set forth in Section 10.02, in connection with: (i) a change of control or a change in the effective voting control of Tenant which results in Tenant becoming a Public Corporation; or (ii) a transfer that occurs when the sole Tenant in occupation of the Premises is a "subsidiary body corporate" (as the term is defined in the Canada Business Corporations Act) of a Public Corporation; or (iii) a transfer to any holding body corporate, subsidiary body corporate or affiliate of Tenant, as those terms are defined in the Canada Business Corporations Act; or (iv) a transfer to an acquirer of a majority of Tenant's stores in Canada, whether directly through an asset purchase or indirectly through a share purchase, provided that said acquirer has a net worth of at least \$20,000,000.00 at the time of such transfer.

For purposes of this Lease, "Public Corporation" shall mean a corporation whose shares are traded and listed on a stock exchange in Canada or the United States.

No transfer set forth in (i), (ii), (iii) or (iv) above shall relieve Tenant of its liability under the Lease.

Landlord acknowledges and confirms that in the event of Tenant "going public" or "going private", Landlord's consent shall not be required. In the event of any transfer contemplated herein, Tenant shall provide prior written notice to Landlord.

ARTICLE XI DESTRUCTION

11.01 TOTAL OR PARTIAL DESTRUCTION. Tenant shall give prompt notice to Landlord in case of any fire or other damage to the Demised Premises. If (a) the Demised Premises shall be damaged by fire or other occurrence to the extent of more than 25% of the aggregate cost of replacement thereof, or (b) the buildings in the Shopping Centre shall be damaged by fire or other occurrence to the extent of more than 25% of the aggregate cost of replacement thereof (whether or not the Demised Premises be damaged in whole or in part), or (c) the buildings in the Shopping Centre shall be damaged by fire or other occurrence and either the loss shall not be covered by insurance or the insurance proceeds shall, by reasonable anticipation, be insufficient to pay for the repair or restoration work, then in any such event Landlord may terminate the Lease by notice given within 90 days after such event, and upon the date specified in such notice, which shall not be less than 30 days nor more than 60 days after the giving of said notice, this Lease shall terminate. If any damage by fire or other casualty shall render the Demised Premises untenable, in whole or in part, a proportionate abatement of the Fixed Rent based upon the Floor Space rendered untenable shall be allowed from the date when the damage occurred until completion of the repair or restoration work by Landlord as hereinafter provided, or, in the event Landlord elects to terminate this Lease, until said date of termination. If this Lease shall not be terminated after damage by fire or other casualty, Landlord shall, promptly after receipt of the insurance proceeds for such damage, or as soon as practicable in the event that insurance proceeds shall not be available, proceed with the restoration of the Demised Premises and the Shopping Centre to substantially the condition in which the same existed prior to the damage with such changes as Landlord may desire or be required by any Requirements to make, except for tenant's stock in trade, fixtures, furniture, furnishings, removable floor coverings, equipment, signs and all other property, and Tenant shall promptly proceed with the restoration or replacement of its stock in trade, fixtures, furniture, furnishings, removable floor coverings, equipment, signs and all other property of Tenant and decorations in and around the Demised Premises. Tenant hereby waives any and all benefits or rights which Tenant might become entitled to by reason of any statute or law that may be in effect at

the time of the occurrence of any such damage or destruction under which a lease is automatically terminated or a tenant is given the right to terminate a lease upon such an occurrence and Tenant agrees that the provisions of this section shall govern and control in lieu of the provisions thereof. In exercising its right to terminate as contained in this Section 11.01, Landlord covenants and agrees to not act in a discriminatory manner against Tenant.

If in the event that the whole or part of the Demised Premises shall, during the last two (2) years of the Term of this Lease (and if the Term shall have been extended, during the last two (2) years of the latest extension thereof), be destroyed or damaged to the extent of fifty percent (50%) or more of the then value of the Demised Premises, then in either such event Tenant may terminate this Lease as of the date of such destruction or damage by giving notice to Landlord within sixty (60) days thereafter of its election to do so.

ARTICLE XII EXPROPRIATION

Landlord and Tenant will co-operate with each other regarding any expropriation of the Demised Premises or the Shopping Centre or any part of them so that each receives the maximum award to which it is entitled at law. To the extent any part of the Shopping Centre other than the Demised Premises is expropriated, the full proceeds accruing or awarded as a result thereof belong to Landlord and Tenant will abandon or assign to Landlord any rights that Tenant may have or acquire by operation of law to those proceeds or awards and will execute any documents that Landlord requires to give effect thereto.

ARTICLE XIII DEFAULT

13.01 DEFAULTS. Each of the following shall be deemed to be an Event of Default by Tenant and a breach by Tenant hereunder: (a) the filing by or against the original Tenant named herein or the then named Tenant or Indemnifier in any court, pursuant to any law or statute either of Canada or of any Province, of a petition in bankruptcy or insolvency or a petition for reorganization or for the appointment of a receiver or trustee of all or a portion of the property of the original Tenant named herein or the then Tenant or Indemnifier, or the making by the original Tenant named herein or the then Tenant or Indemnifier of an assignment for the benefit of creditors, or the petitioning for or entering into an arrangement pursuant to any statute either of Canada or of any Province by the original Tenant named herein or the then Tenant or Indemnifier, or the taking of this Lease under any writ of execution or attachment, or the issuance of any execution or attachment against the original Tenant named herein or the then Tenant or Indemnifier or any of their property, or the dissolution or liquidation or the commencement of any action or proceeding for the dissolution or liquidation of the original Tenant named herein or the Tenant or Indemnifier, and in the case of an involuntary proceeding is not stayed within 30 days, (b) the passing of the Lease to or the devolution of this Lease upon any person(s) other than Tenant or a permitted assignee, whether by operation of law or otherwise, (c) the Demised Premises being abandoned, (d) the Demised Premises becoming vacant or deserted and remaining so for five days after Landlord shall have given to Tenant a notice specifying the nature of such default, (e) the default in the payment of any Fixed Rent or Additional Rent or any part thereof when same is due, or in the making of any other payment herein provided for, and the continuance of such default for five days after Landlord shall have given to Tenant a notice specifying the nature of such default, (f) the default by Tenant or any affiliate of Tenant under any other lease with Landlord or any affiliate of Landlord, (g) a default in performance under Articles 3.02A, 6.01, 6.02, 9.04 or 15.08 (h), the default in the performance of any other obligation of Tenant under this Lease, and the continuance of such default for 15 days after Landlord shall have given to Tenant a notice specifying the nature of such default, but if said default shall be of such a nature that it cannot reasonably be cured or remedied within said 15-day period, same shall not be deemed an Event of Default if Tenant shall have commenced in good faith the curing or remedying of such default within such 15-day period and shall thereafter continuously and diligently proceed therewith to completion, provided, however, that Tenant shall, in fact, cure such default within 60 days from the date the notice is given, or (i) if Tenant shall commit the same type of default more than three times in any period of twelve (12) consecutive months, then, notwithstanding that such defaults shall

have each been cured within the period after notice as hereinbefore provided in this Article 13, any further similar default shall be deemed to be deliberate and an immediate 'Event of Default' (and if any further similar default shall occur Landlord, without affording Tenant an opportunity to cure such further default, may thereafter serve upon Tenant a notice that this Lease will terminate on a date to be specified in such notice, which date shall be not less than five (5) days after such notice, and upon the date so specified this Lease shall terminate. For the purposes of this Article 13, the term 'affiliate' shall mean any person controlled by, controlling or under common control with the first person. Upon the occurrence of an Event of Default, the full amount of the current months Rent and the next ensuing three months instalments of Rent shall immediately become due and payable.

13.02 REMEDIES OF LANDLORD. A. Tenant shall pay to Landlord, on demand, such reasonable expenses as Landlord may incur, including, without limitation, court costs and reasonable attorneys' fees and disbursements, in enforcing the performance of any obligation of Tenant under this Lease. During the continuance of any Event of Default (whether occurring prior to the Delivery Date or during the Term), in addition to any other rights Landlord may have at law or in equity for Tenant's default, Landlord shall have the right, at its option, to serve upon Tenant a notice that this Lease will terminate on a date to be specified in such notice, which date shall not be less than five (5) days after such notice, and upon the date so specified this Lease shall terminate but Tenant shall remain liable for Rent and other damages as hereinafter set forth.

B. If this Lease shall be terminated as provided above in this Section, or if this Lease shall be terminated by summary proceedings or otherwise or possession of the Demised Premises is regained by Landlord, (a) Landlord or its agents, servants or representatives may, immediately or at any time thereafter, re-enter and resume possession of the Demised Premises and remove all persons and property therefrom, either by summary dispossess proceedings or by a suitable action or proceeding at law, or by force or otherwise, without being liable for any damages therefor, and no such re-entry shall be deemed an acceptance or surrender of this Lease, (b) Landlord may, in its own name, but as agent for Tenant if this Lease is not terminated or in Landlord's own behalf if this Lease is terminated relet the whole or any portion of the Demised Premises for any period equal to or greater or less than the period which would have constituted the balance of the Term, for any sum which Landlord may deem reasonable, to any tenant(s) which Landlord may deem suitable and satisfactory, and for any use and purpose which Landlord may deem appropriate, and Landlord may grant concessions of free rent, and (c) Landlord, at Landlord's option, may make such alterations, repairs, replacements and decorations in and to the Demised Premises and/or the granting of such tenant improvement allowance as Landlord in its sole judgment considers advisable or necessary for the purpose of reletting the Demised Premises and the making of such alterations, repairs, replacements and decorations and/or the granting of such tenant improvement allowance shall not operate or be construed to release Tenant from liability hereunder. Landlord shall in no event be liable in any way whatsoever for its failure or refusal to relet the Demised Premises or any part thereof, or in the event the Demised Premises are relet for its failure to collect the rent under such reletting, and no such refusal or failure to relet or failure to collect rent shall release or affect Tenant's liability for damages or otherwise under this Lease. Landlord shall not in any event be required to pay to Tenant any surplus of any sums received by Landlord on a reletting of all or any part of the Demised Premises in excess of the Fixed Rent and Additional Rent reserved in this Lease.

C. In the event of any Event of Default mentioned Section 13.01 resulting in the termination of the Lease, Landlord shall immediately and *ipso facto*, without notice (except as required under this Lease) or other action by Landlord, become entitled to recover from Tenant, and Tenant shall pay to Landlord, as liquidated damages for such breach, an amount, discounted to the date of such breach at the rate of 4% *per annum*, equal to the Fixed Rent and Additional Rent including Percentage Rent at the rate thereof computed on the basis of the highest actual Percentage Rent for any calendar year during the Term for the period from the date of such breach to the end of what would otherwise have constituted the balance of the Term. If the Demised Premises or any part thereof shall be relet by Landlord after such a breach but before presentation of proof of such liquidated damages, the amount of rent reserved upon such reletting, in the absence of evidence to the contrary, shall be deemed to be the fair and reasonable rental value for the part of the Demised Premises so relet during the term of such reletting. Until such time as the above-mentioned full liquidated damages are paid to Landlord, an amount equal to the full value of each installment of Fixed Rent and Additional Rent reserved under this Lease shall be due and payable at the times specified in this Lease, and if, by reason of the subsequent payment of such full liquidated

damages to Landlord, Landlord shall have received a sum in excess of all amounts to which Landlord shall be entitled under this Section, such excess shall be refunded upon the receipt by Landlord of such full liquidated damages. Nothing herein contained shall limit or prejudice the right of Landlord to prove and obtain as liquidated damages by reason of termination due to subdivision (a) of Section 13.01, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when and governing the proceeding in which such damages are to be proved, whether or not such amount is to be greater, equal or less than the amount of the difference referred to above.

D. In all other defaults, the full amount of each installment of Fixed Rent and Additional Rent reserved under this Lease or the amounts due to Landlord under the next succeeding sentence shall be due and payable at the times specified in this Lease. If this Lease shall be terminated as provided above in this Section, or if this Lease shall be terminated by summary proceedings or otherwise or possession of the Demised Premises is regained by Landlord, whether the Demised Premises shall be relet or not, Landlord shall be entitled to recover from Tenant, and Tenant shall pay to Landlord, (x) the amounts equal to all of the reasonable expenses incurred by Landlord in connection with recovering possession of the Demised Premises, any reletting(s), brokerage in connection with any reletting(s), court costs and reasonable attorneys' fees and disbursements, and any expenses for putting and keeping the Demised Premises in good order and for making alterations, repairs, replacements and decorations in and to the Demised Premises and/or any amounts granted to such new tenant for tenant improvement allowance and otherwise preparing the same for reletting(s), which amounts shall be due and payable by Tenant to Landlord on demand after any such expenses are incurred by Landlord, plus (y) for each month of the balance of the Term or the period which would otherwise have constituted the balance of the Term, the amount, if any by which (i) the sum of one monthly installment of the then current Fixed Rent which would have been payable for the month in question had there been no default by Tenant, plus one monthly installment of the then current Additional Rent which would have been payable for the month in question had there been no default by Tenant, plus 1/12th of the highest Percentage Rent for any calendar year during the Term exceeds (ii) the net amount, if any, of the rents collected on account of the reletting(s) of the Demised Premises for each month of such period, which amounts shall be due and payable by Tenant to Landlord in monthly installments on the last day of each month, and any suit brought to collect the amount of the deficiency for any month shall not prejudice in any way the rights of Landlord to collect the deficiency for any subsequent month by a similar proceeding, plus (z) the unamortized Construction Allowance, determined on a straight-line basis over the Initial Term of the Lease.

E. In the event of any breach or threatened breach by Tenant of any of the covenants or provisions of this Lease or in the case of an Event of Default, Landlord shall have the right of injunction and the right to invoke any remedy allowed at law or in equity; mention in this Lease of any particular remedy shall not preclude Landlord from any other remedy at law or in equity. Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of this Lease being terminated and/or Landlord obtaining possession of the Demised Premises pursuant to the provisions of this Article.

F. Notwithstanding anything contained in this Section to the contrary, in exercising its rights under this Lease, or in the event of a default by Tenant, Landlord shall take all reasonable action to mitigate damages. The foregoing, however, shall in no way obligate Landlord to lease the Demised Premises in any manner which is not in keeping with the caliber and quality of the Shopping Center and the other tenants thereon nor shall the same obligate Landlord to relet the Demised Premises in preference to other vacant space at the Shopping Center.

13.03 ADDITIONAL RIGHT OF LANDLORD TO CURE TENANT'S DEFAULTS. Landlord may, but shall not be obligated to, cure at any time upon 15 days' notice provided Tenant has not commenced to cure such default within such 15 day notice period, or without notice in case of emergencies, any default(s) by Tenant under this Lease, and Tenant shall pay to Landlord on demand all reasonable costs and expenses incurred by Landlord in curing such default(s), including, without limitation, court costs and attorneys' fees and disbursements in connection therewith, together with interest on the amount of costs and expenses so incurred, at the rate of interest per annum that is four (4) percentage points above the prime rate of JPMorgan Chase Bank in effect on such date but in no event higher than the maximum rate allowed by law.

13.04 DISTRESS. Notwithstanding anything contained in any statute now or hereafter in force limiting or abrogating the right of distress, none of Tenant's goods, chattels or trade fixtures on the Demised Premises at any time during the Term shall be exempt from levy by distress for Rent in arrears, and upon any claim being made for such exemption by Tenant or on distress being made by Landlord this agreement may be pleaded as an estoppel against Tenant in any action brought to test the right to the levying upon any such goods as are named as exempted in any such statute, Tenant hereby waiving all and every benefit that could or might have accrued to Tenant under and by virtue of any such statute but for this Lease.

13.05 PAYMENTS Notwithstanding any termination of this Lease, Landlord shall be entitled to receive Rent and all Rental Taxes up to the time of termination plus accelerated Rent as herein provided and damages including but not limited to (i) damages for the loss of Rent suffered by reason of this Lease having been prematurely terminated; (ii) the costs of reclaiming, repairing and re-leasing the Premises; and (iii) reasonable legal fees and disbursements on a substantial indemnity basis.

ARTICLE XIV RIGHT TO RELOCATE TENANT

14.01 RELOCATION OF PREMISES. Intentionally Deleted.

ARTICLE XV MISCELLANEOUS

15.01 RULES AND REGULATIONS. Tenant shall comply with and observe all reasonable rules and regulations which Landlord shall from time to time promulgate for the management and use of the Shopping Centre which shall include the storefront criteria for the Shopping Centre, and Tenant shall use its commercially reasonable efforts to cause its subtenants, concessionaires and licensees and those for whom Tenant is at law responsible to comply with and observe such rules and regulations after notice thereof shall be given to Tenant. Landlord shall have the right from time to time to reasonably amend or supplement any rules and regulations theretofore promulgated and provide same to Tenant in writing at the Demised Premises. Tenant's failure to keep and observe all rules and regulations shall constitute a material breach of the terms of this Lease in the manner as if the same were contained herein as covenants. A copy of the current Rules and Regulations for the Shopping Centre is attached hereto as Exhibit "C". Landlord agrees to enforce the rules and regulations in a fair and non-discriminatory manner as amongst all tenants of the Shopping Centre. If there is a conflict between the rules and regulations and the terms and provisions of this Lease, this Lease shall prevail.

15.02 HOLDOVER. In the event Tenant remains in possession of the Demised Premises after the expiration of the Term, without Landlord's prior written consent, Tenant shall be deemed to be occupying the Demised Premises as a tenant from month to month at the sufferance of Landlord subject to all of the provisions of this Lease, except that the Fixed Rent shall be at the monthly rate equal to 150% of the monthly rate of Fixed Rent in effect during the last month of the Term and Percentage Rent shall be at the monthly rate equal to 1/12th of the greatest amount of Percentage Rent paid or payable by Tenant for any one year prior to such period, and Tenant shall be responsible for any and all other damages which Landlord may sustain by reason of such action by Tenant.

15.03 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY. All installations, alterations, additions, betterments and improvements upon the Demised Premises, made by any party, including, without limitation, all pipes, ducts, conduits, wiring, paneling, partitions, railings, mezzanine floors, galleries and the like shall become the property of Landlord upon expiry or termination of the Lease and, except as otherwise expressly provided in Article 15.04, shall remain upon and be surrendered with the Demised Premises as a part thereof at the expiration or sooner termination of the Term. Movable trade fixtures and other personal property which Tenant installs at its own expense shall remain Tenant's property and may be removed at any time provided Tenant promptly repairs any damage caused by such removal and provided further that Tenant shall not then be in default under this Lease. Any personal property of Tenant or subtenant, concessionaire or licensee which shall remain in the Demised Premises after the

termination of this Lease and the removal of Tenant and/or such subtenant, concessionaires or licensee from the Demised Premises, may, at the option of Landlord, be deemed to have been abandoned by Tenant or such subtenant, concessionaire or licensee and either be retained by Landlord as it is property or be disposed of, in such manner as Landlord sees fit, at Tenant's expense.

15.04 END OF TERM. At the expiration or sooner termination of the Term, Tenant shall quit and surrender to Landlord the Demised Premises, broom clean and in good order and condition, ordinary wear and tear and damage by fire and any other insured casualty excepted. At such expiration or sooner termination Tenant shall remove all property of Tenant and its signage, including but not limited to, its storefront signage and Tenant shall repair all damage to the Demised Premises caused by such removal and restore the Demised Premises to the condition in which they were at the Delivery Date.

15.05 WAIVER OF JURY TRIAL AND RIGHT TO COUNTERCLAIM. Landlord and Tenant shall and they hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matters arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Demised Premises, and any emergency or other statutory remedy. Tenant further agrees that it shall not interpose any counterclaim(s) in a summary proceeding or in any action based on holdover or non-payment of Fixed Rent and/or Additional Rent.

15.06 NO WAIVER. The failure of Landlord or Tenant to insist in any one or more cases upon the strict performance or observation of any obligation of Tenant or Landlord, as the case may be, hereunder or to exercise any right or option contained herein shall not be construed as a waiver or relinquishment for the future of any such obligation of Tenant or Landlord, as the case may be, or any right or option of Landlord or Tenant, as the case may be. Landlord's receipt and acceptance of Fixed Rent and/or Additional Rent, or Landlord's acceptance of performance of any other obligation by Tenant, with knowledge of Tenant's breach of any provision of this Lease, shall not be deemed a waiver of such breach. No consent, approval or waiver, express or implied, by Landlord or Tenant to or of any breach of any covenant, agreement or obligation, of Landlord or Tenant shall be construed as a consent or waiver to or of any other breach of the same or any other covenant, agreement or obligation unless in each case in writing signed by Landlord or Tenant, whichever the case may be. Landlord's failure during the Term to prepare and deliver to Tenant any bill, statement or notice with respect to any item of Fixed Rent or Additional Rent or any increases thereto by operation of any provision of this Lease, shall not in any way cause Landlord to forfeit or surrender its right to collect any item of Fixed Rent or Additional Rent which may become due during the Term nor shall such failure extend the date(s) on which any such items of Fixed Rent and/or Additional Rent are due. Notwithstanding the foregoing sentence, except as may be expressly set forth in Sections 3.03 and 3.04 hereof, in no event shall Landlord be deemed to have any obligation to bill any item of Fixed or Additional Rent or any increases thereto. IN NO EVENT SHALL LANDLORD BE LIABLE FOR THE ACTS OF ANY TENANT OR OCCUPANT OF THE SHOPPING CENTRE, EVEN IF SUCH ACTS SHALL BE IN VIOLATION OF SUCH TENANT'S OR OCCUPANT'S LEASE OR OTHER AGREEMENT WITH LANDLORD, EXCEPT AS SPECIFICALLY PROVIDED FOR IN SUCH LEASE OR OTHER AGREEMENT. IN ADDITION, IN NO EVENT SHALL LANDLORD BE LIABLE FOR SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES OF ANY KIND, INCLUDING WITHOUT LIMITATION TENANT'S LOST PROFITS OR GOOD WILL.

15.07 QUIET ENJOYMENT. Landlord covenants that Tenant, on paying the Fixed Rent and Additional Rent and performing all of Tenant's obligations under this Lease, shall peacefully and quietly have, hold and enjoy the Demised Premises, throughout the Term without hindrance, ejection or molestation by any person lawfully claiming under Landlord, subject to the terms and provisions of this Lease and to all mortgages and ground and underlying leases of record to which this Lease may be or become subject and subordinate.

15.08 ESTOPPEL CERTIFICATES. Landlord and Tenant shall, at any time and from time to time, within 10 business days and following notice by the other party, execute, acknowledge and deliver to the party which gave such notice a statement in writing certifying (a) that this Lease is unmodified and in full force and effect, or if there shall have been any modification(s) that the same is in full force and effect as modified and stating the modification(s), and (b) the date to which the Fixed Rent and Additional Rent have been paid in advance, and (c) whether or not to the best of

knowledge of the signer of such certificate the other party is in default hereunder, and, if so, specifying each such default, and (d) with respect to Tenant, whether Tenant has exercised any option(s) to extend the Term of this Lease, and, if so, specifying each such extension, and (e) certifying any other matter which shall be reasonably requested by any lender or prospective lender of Landlord. Any such statement delivered pursuant to this Section may be relied upon by any prospective purchaser, assignee or transferee of Landlord's interest in the Lease or in the building or Shopping Centre. The failure of Tenant to deliver any such certificate within such ten (10) day period shall constitute a default hereunder.

15.09 LANDLORD'S UNAVOIDABLE DELAYS. This Lease and the obligations of Tenant to pay Fixed Rent and Additional Rent and perform all of the other obligations hereunder shall in no way be affected, impaired or excused because Landlord is unable to fulfill any of its obligations under this Lease, or to supply, or is delayed in supplying any service expressly or implied to be supplied, or is unable to make or is delaying in making any repairs, additions, alterations or decorations, or is unable to supply or is delayed in supplying equipment or fixtures, if Landlord is prevented or delayed from doing so by reason of any cause beyond Landlord's control, except in case of fire or casualty damage as provided in Section 11.01.

15.10 FINANCIAL STATEMENTS. From time to time, upon Landlord's written request, but not more than one (1) time per calendar year, Tenant shall promptly furnish to Landlord financial statements prepared by Tenant's independent certified public accountant or Tenant's Chief Financial Officer setting forth Tenant's then current financial condition.

15.11 NOTICES. Any notice, demand, waiver, approval or consent hereunder shall be in writing and shall be deemed duly served if mailed by registered or certified mail, return receipt requested, or sent by reputable overnight carrier with delivery charges prepaid and proof of delivery service to be provided, addressed:

If to Tenant to it at the address set forth at the beginning of this Lease, or such other address as Tenant shall have last designated by notice to Landlord.

If to Landlord to it at c/o Simon Property Group - Premium Outlets, 105 Eisenhower Parkway, 1st Floor, Roseland, NJ 07068; Attention: Lease Services, or such other address as Landlord shall have last designated by notice to Tenant.

Such notice, demand, waiver, approval or consent shall be deemed served upon receipt or refusal to accept delivery if sent in accordance with this Article 15.11.

15.12 BROKERAGE. Tenant represents that it has had no dealings with any broker or agent in connection with this Lease other than the Broker, if any, and covenants to pay, hold harmless and indemnify Landlord from and against any and all costs, expense or liability for any compensation and charges claimed by any other broker or agent in respect of this Lease or the negotiation thereof with whom Tenant is claimed to have had dealings.

15.13 LIMITATION ON LANDLORD'S LIABILITY. Notwithstanding any provision to the contrary, Tenant shall look solely to the equity of Landlord in and to the Shopping Centre or, if this Lease becomes subordinate to any ground or underlying lease, the leasehold interest of Landlord as lessee under such ground or underlying lease, in the event of a breach or default by Landlord pursuant to the provisions of this Lease, and Tenant agrees that the liability of Landlord under this Lease shall not exceed the value of such equity of Landlord in the Shopping Centre (or portion thereof) or said leasehold interest, as the case may be. No other properties or assets of Landlord shall be subject to levy, execution or other enforcement procedures for the satisfaction of any judgment (or other judicial process) arising out of, or in connection with, this Lease; and if Tenant shall acquire a lien on any such other properties or assets by judgment or otherwise, Tenant shall promptly release such lien on such other properties and assets by executing, acknowledging and delivering to Landlord an instrument to that effect prepared by Landlord's attorneys. If there is more than one entity comprising Landlord, then the liability of such entities under this Lease shall be several in accordance with each such entity's interest in the Shopping Centre. If at any time any interest of Landlord is held by a trust, the obligations of such Landlord hereunder and any other documents or agreements contemplated herein or delivered in respect hereof shall not be personally binding upon, and resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the trustees, unitholders,

annuitants under a plan of which a unitholder acts as a trustee or carrier, or officers, employees or agents of any trust, but the property of such Landlord only shall be bound by the obligations of Landlord hereunder and thereunder. Landlord, upon any transfer or conveyance of its interest in the Demised Premises, shall be entirely freed and relieved of all covenants and obligations of Landlord hereunder, provided that the transferee of Landlord's interest in the Demised Premises has assumed and agreed to carry out any and all covenants and obligations of Landlord hereunder. Landlord's assignment, sale, mortgage, or transfer of the Demised Premises or the Lease, shall in no manner affect Tenant's obligations hereunder. Tenant shall thereafter attorn to such assignee or mortgagee of Landlord, provided Tenant received written notice of such assignment or mortgage of Landlord's interest.

15.14 SUCCESSORS AND ASSIGNS. The provisions of this Lease, except as herein otherwise specifically provided, shall extend to, bind and inure to the benefit of the parties hereto and their respective personal representatives, heirs, successors and permitted assigns.

15.15 LEGAL EXPENSES. If (a) suit be brought for the recovery of possession of the Demised Premises, for the recovery of Fixed Rent or any Additional Rent, or because of the breach of any other covenant, agreement or condition on the part of Tenant to be kept or performed, or a violation of any of the rules and regulations promulgated pursuant to this Lease or if a lawyer shall be employed by Landlord to enforce its rights pursuant to this Lease because of a breach or default of Tenant and a breach shall be established, or (b) if suit be brought by Tenant against Landlord and Landlord is successful in defending such suit, Tenant shall pay Landlord all reasonable expenses incurred therefore, including appeals of the above and including reasonable solicitor's fees (on a substantial indemnity basis) and expenses.

15.16 INTERPRETATION. Irrespective of the place of execution or performance, this Lease shall be governed by and construed in accordance with the laws of the Province in which the property is located. If any provision of this Lease or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, the remainder of this Lease and the application of that provision to other persons or circumstances shall not be affected but rather shall be enforced to the extent permitted by law. Captions, headings, titles and the Table of Contents in this Lease are solely for convenience of reference and shall not affect its interpretation. This Lease shall be construed without regard to any presumption or other rule requiring construction against the party causing this Lease to be drafted. Each covenant, agreement, obligation or other provision of this Lease shall be deemed and construed as a separate and independent covenant of the party bound by, undertaking or making same, not dependent on any other provision of the Lease unless otherwise expressly provided. All terms and words used in this Lease, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender as the context may require. If there is more than one entity comprising Tenant, the liability of all such entities shall be joint and several.

15.17 OPTION TO EXTEND. Intentionally Deleted.

15.18 CONSENTS AND APPROVALS. In the event that Tenant shall seek the approval by or consent of Landlord and Landlord shall fail to give such consent or approval, Tenant shall not be entitled to any damages for withholding or delay of such approval or consent by Landlord, it being intended that Tenant's sole remedy shall be an action for injunction or specific performance and that said remedy of an action for injunction or specific performance shall be available only in those cases where Landlord shall have expressly agreed in writing not to unreasonably withhold or delay its consent.

15.19 RADIUS. Tenant acknowledges and agrees that an outlet center is unique in that it serves a broader geographical market than other types of retail centers, and that if Tenant locates another outlet store (with a similar or competing business) in relatively close proximity to the Demised Premises, the competing outlet store will likely reduce Tenant's Gross Sales made from the Demised Premises, depriving Landlord of potential Percentage Rent. Accordingly, Tenant covenants and agrees that in the event Tenant or any affiliate shall directly or indirectly, either individually or as a partner or stockholder or otherwise, own, operate or become financially interested in an outlet store with a similar or competing business in an "outlet center" within the Radius (as defined in Article 1.01 (P)), Landlord may require Tenant to include the gross sales from any such store in the Gross Sales reportable by Tenant to Landlord under the terms of this Lease for the purpose of computing Percentage Rent due hereunder. For purposes

of this Section 15.19, an "outlet center" shall mean a commercial building or property, or one of a series of adjacent properties, in which there are more than one outlet store or which is advertised either individually or collectively as an outlet center or as an outlet shopping destination. Landlord shall have the right to examine the books and records in respect of each such similar or competing business. This Article shall not apply to any such store or stores which are open and are being operated by Tenant (as same may be expanded or relocated in such shopping centres) within the Radius area as of the date of the execution of this Lease. Tenant agrees that the obligations upon Tenant set out in this Section 15.19 are reasonable and valid and Tenant waives all defenses to the strict enforcement thereof by Landlord.

15.20 PLANNING ACT. This Lease is conditional on compliance with the subdivision control provisions of the Planning Act (Ontario). If a consent is required, Landlord will apply for and obtain such consent and Tenant will cooperate with Landlord in doing so. Until such consent is obtained, the term of this Lease (inclusive of renewal and extension options, if any) will not exceed 21 years less a day.

15.21 COMPLETE AGREEMENT. There are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter of this Lease which are not fully expressed in this Lease. This Lease cannot be changed or terminated orally or in any manner other than by a written agreement executed by both parties. In making and executing this Lease, Tenant has relied solely on such investigations, examinations and inspections as Tenant has chosen to make or has made and Tenant acknowledges that Landlord has afforded Tenant the opportunity for full and complete investigations, examinations and inspections.

15.22 COUNTERPARTS. This Lease may be executed in any number of counterparts, each of which shall be an original, but all of which shall together constitute but one Lease.

15.23 OPENING CO-TENANCY. If, as of the Commencement Date, (a) less than seventy percent (70%) of the Shopping Center is "leased and open for business" (as such phrase is defined below), or (b) 10 of the 15 Key Tenants (as defined below) are not "leased and open for business"; Tenant may elect to pay monthly, in lieu of the Fixed Rent, five percent (5%) of Gross Sales until such tenancy requirement has been satisfied (but not to exceed the Fixed Rent which otherwise would have been due and payable for such month); provided, however, that nothing herein shall relieve Tenant of its obligations to pay any other item of Additional Rent, during such period. If Tenant shall be entitled to and does elect to pay such amounts in lieu of the Fixed Rent, the payment of five percent (5%) of Gross Sales shall continue until such tenancy requirement has been satisfied, provided, however, that if such condition shall remain for more than twelve (12) consecutive calendar months, Tenant may elect to terminate this Lease by notice given to Landlord within sixty (60) days after the expiration of such twelve (12) month period. If such notice is given by Tenant, this Lease shall terminate on the date specified in such notice, which date shall not be more than ninety (90) days after the date of such notice, provided Tenant shall remain liable for all obligations accruing prior to the date of termination. Such notice, if given by Tenant, shall not be effective if such tenancy requirement shall have been satisfied prior to the date of such notice. Such right of termination shall be Tenant's sole remedy. If Tenant timely elects to terminate the Lease, or if such notice is not timely and effectively given by Tenant to Landlord, Tenant shall be deemed to have elected to pay the Fixed Rent and Additional Rent (including Percentage Rent) as elsewhere provided in this Lease, effective the day following such twelve (12) month period. For purposes of this Section, (a) the leasable Floor Space of the food court and restaurants, if any, shall be excluded from calculations, and (b) the phrase "leased and open for business" shall mean with respect to any premises that (i) a lease or occupancy agreement has been fully executed for such premises and (ii) such premises shall be required to be open for business within sixty (60) days after the later of (x) the substantial completion of such premises and (y) the full execution of such lease or occupancy agreement.

"Key Tenants" shall mean the following tenants: (1) Michael Kors; (2) Coach; (3) Polo; (4) Calvin Klein; (5) Cole Hann; (6) Nike; (7) Banana Republic; (8) J. Crew; (9) Brooks Brothers; (10) Tommy Hilfiger; (11) Puma; (12) DKNY; (13) Hugo Boss; (14) Bebe; and (15) Columbia Sportswear.

15.24 TERMINATION BY REASON OF GROSS SALES. A. Provided Tenant is not then in default under the terms of this Lease beyond any applicable grace period for curing the

same, then, if Tenant does not achieve, for the one (1) year period commencing on the first day of the forty-ninth (49th) full calendar month following the Commencement Date (the "Measurement Period"), Gross Sales in an amount at least equal to \$1,200,000.00 (the "Minimum Sales Threshold"), Tenant shall have the option to cancel this Lease by giving Landlord a notice of cancellation on or before the ninetieth (90th) day following the expiration of such one (1) year period. If such notice is not timely given, such right of cancellation shall be null and void and of no further force or effect. Upon the effective giving of such notice hereunder, this Lease shall then terminate on a date set forth in such notice, which date shall not be less than ninety (90) days after the date of such notice. Tenant shall remain liable for all obligations of Tenant accruing under the Lease prior to the date of termination.

B. If Tenant does not achieve the Minimum Sales Threshold during the Measurement Period as aforesaid, Landlord shall also have the option to cancel this Lease by notice to Tenant on or before the ninetieth (90th) day after the later of (i) the required statement of Gross Sales pursuant to Section 3.02 is received by Landlord, or (ii) the expiration of such one (1) year period. If such notice is timely given, this Lease shall terminate on the date specified in such notice, which date shall not be more than ninety (90) days after the date of such notice. If such notice is not timely given, the right of termination hereunder on the part of Landlord shall be deemed waived and of no further force or effect. If Landlord shall timely exercise such option, Landlord shall have no liability therefore to Tenant. If both Landlord and Tenant shall exercise their respective options to terminate this Lease as provided for hereunder, the termination date set forth in Landlord's notice shall control.

15.25 EXHIBITS. The Exhibits listed hereinbelow are incorporated herein by reference:

- Exhibit A.....Landlord/Tenant Workletter
- Exhibit B.....Tenant Space Drawing ("TSD") depicting the Shopping Centre and the Demised Premises
- Exhibit C.....Rules & Regulations for the Shopping Centre
- Exhibit D.....Storefront Criteria for the Shopping Centre
- Exhibit E.....Tenant's Menu

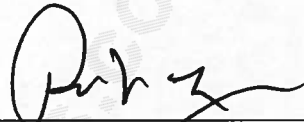
[SIGNATURES ON NEXT PAGE]

IN WITNESS THEREOF, Landlord and Tenant have hereunto executed this Lease as of the day and year first above written.

ATTEST OR WITNESS:

LANDLORD:
HALTON HILLS SHOPPING CENTRE
PARTNERSHIP,
an Ontario general partnership
By: SIMON CANADA
MANAGEMENT LIMITED,
a British Columbia corporation,
its authorized signatory


By: 

By: 
Name: Richard N. Lewis
Title: Exec. Vice President

ATTEST OR WITNESS:

TENANT:
DANIER LEATHER INC.,
an Ontario corporation

By: 

By: 
Name: Jeffrey Wortsman
President & CEO
Title: _____


By: 
Name: Brian Adamson
Chief Accountant
Title: _____

EXHIBIT "A"
TORONTO PREMIUM OUTLETS
LANDLORD'S WORKLETTER

These specifications are prepared to aid Tenant in the coordination and approval of Tenant's improvement plan. Tenant should refer to the building floor plans and confirm all measurements and as-built conditions by visual and physical inspection of the premises before starting construction. In cases where these specifications are in conflict with Landlord's completed building plans or completed buildings, information contained in the building plans or completed buildings shall take precedence over these requirements. All work to be done by Tenant must be approved in writing by Landlord prior to the start of construction, and must be coordinated so as to not interfere with Landlord's construction. Tenant's Contractor must be approved by Landlord prior to the start of construction. In the event Landlord determines that union labor is required in order to facilitate the timely completion of the Shopping Centre, Landlord's Work and Tenant's Work, Landlord may, as a condition of its approval of any and all Tenant Contractors, require that Tenant's contractors be union contractors in order to facilitate the timely completion of Tenant's Work. In the event Landlord requires union labor, there will be no exceptions

The area of Tenant premises as shown on the plans have been calculated to the exterior face of exterior walls and to the centerline of demising walls between Tenant spaces.

A. LANDLORD'S WORK

1. Shell - To include structural frame, roof, roofing and exterior walls, no paint.
2. Storefront - Standard aluminum and glass entry with two single-acting 3'0" entry doors complete with all standard hardware, in accordance with Landlord's design. Any alterations and/or deviations to the storefront by Tenant must be requested in writing by Tenant and approved, in advance, by Landlord.
3. Rear Door - When premises extend to rear wall, single hollow metal service door of 3'0" x 7' or as required by code, shall be provided (to include standard lock keyed to match storefront entry door).
4. Floor - Concrete slab on grade. Floor covering by Tenant. Tenant's flooring contractor is responsible for minor floor patching in accordance with good installation practices and is responsible for determination of compatibility of flooring products and/or adhesive with Landlord's concrete slab. Tenants choosing to install moisture sensitive flooring (including, but not limited to, the types of flooring listed below) are advised to consult with an engineering professional to determine the appropriate type of concrete sealer for use under the finish flooring material:
 1. Epoxy, Polyurethane and Acrylic floor coating;
 2. Vinyl composition tile and vinyl backed sheet flooring;
 3. Linoleum tile and linoleum sheet flooring;
 4. Rubber flooring;
 5. Wood flooring;
 6. Broadloom carpet, carpet tile and vinyl backed carpet;
 7. Resilient safety flooring;
 8. Resilient sheet flooring;
 9. Resinous flooring systems.

Landlord does not accept responsibility for water vapor emissions through the slab that may exceed flooring manufacturer's recommendations, or which may occur as a result of sawcutting of its slab by Tenant or its contractor(s). Should Tenant choose to saw cut the concrete slab for placement of power and communications conduits or other under slab items, then Tenant or Tenant's contractor must repair the crushed rock, vapor retarder and concrete slab in accordance with the detail and specification noted in the Tenant Handbook.

5. Demising Wall - Common wall between tenants of the premises.
 - (a) Metal stud framing of the walls to extend from floor to roof deck.
 - (b) 5/8" gypsum board, to height that meets local code requirements, taped and sanded, no primer or paint.
 - (c) If demising wall is concrete, it will be furred out with 5/8" gypsum board to height of 10'6".
6. Exterior Side Walls of Building – Wood or metal frame side exterior shell walls will have 5/8" gypsum board, to height that meets local code requirements, taped and sanded, no primer or paint. Concrete and/or concrete block, will be furred and then have 5/8" gypsum board, to height that meets local code requirements, taped and sanded, no primer or paint.
7. Ceiling - Standard finished 2' x 4' x 5/8" T-Bar, lay-in grid ceiling at a height of approximately 10'-0".
8. Heating, Ventilating and Air Conditioning (HVAC) - Installation of an HVAC system per Landlord's plan specifications of approximately one (1) ton of heating/cooling capacity for every 350 square feet of leased area. If Tenant's requirements are in excess of the above (due to any factors such as additional lighting, etc. that affect energy code compliance), Tenant shall pay for the cost of the necessary energy code recalculations and compliance requirements and any additional HVAC equipment and its installation. Landlord will provide basic non-programmable thermostat controls. The Tenant will be responsible for installing the thermostat which will be left suspended from the ceiling with ample wiring. Any repairs or failed installations resulting from incomplete or inadequate relocation shall be the tenant's responsibility.
9. Electrical
 - (a) Landlord will install: (1) 100 amp 347/600v 3-phase, w/ 30 kva step down transformer and (1) 100A 120v/208v 3-phase panel. Electrical panels will be at a location determined by the Landlord. Tenant must verify location of panel prior to design of space.
 - (b) Flush mounted duplex convenience outlets installed within the premises, one per each 25 lineal feet of the demising wall excluding the storefront and rear wall within the demised premises, as shown on Landlord's plan. Additionally, on rear wall there will be only one (1) receptacle adjacent to the electrical distribution panel. Floor outlets are not furnished.
 - (c) Lay-in tube, 2' x 4' fluorescent light fixtures with standard lamps distributed at approximately one fixture per 100 square feet of entire floor area, as shown on Landlord's reflected ceiling plans.
 - (d) One 20 amp breaker with junction box at storefront – no wire.
10. Utilities
 - (a) Electrical - Electrical service shall be brought to Tenant distribution panel. Electrical service will be provided and billed by Landlord directly. Tenant is responsibility for electric charges (i) at the turnover date, or (ii) if Tenant or Tenant's contractor takes possession of the space earlier, whichever is the earlier date.
 - (b) Telephone - Telephone service will be provided to a backboard in a common area of the building; one, one inch telephone conduit with pull-

string will be provided from the common area backboard to the Tenant space and stubbed out to rear of premises or a telephone distribution cable located above the ceiling in the rear of the Tenant space. Tenant shall arrange for all wiring from the backboard to the space and any further interior distribution.

- (c) Water - Piping shall be provided by Landlord for domestic cold water service to Tenant bathroom. Any additional water or sewerage piping or increase to service size shall be at Tenant's expense. The Landlord may provide recycled water to the toilet and urinals throughout the project.
- (d) Gas - Piping shall be provided by Landlord for gas service to the HVAC unit(s). Any additional gas piping to increase the service shall be at Tenant's expense. Gas service is provided and billed by the Landlord directly. Tenant is responsible for cost either (i) at the time of turnover, or (ii) prior to the start of the Tenant's work, whichever is the earlier date. .
- (e) Landlord may elect to provide utilities directly to tenants via a "master meter", with or without sub-metering the individual tenant spaces. In such event, Tenant will be billed, directly by Landlord for electricity, gas or such other utility as Landlord elects to supply. In any Shopping Centre where Landlord is providing electricity directly to tenants, Tenant will be charged a one-time fee for the costs associated with calculating Tenant's projected energy usage.

11. Restroom

- (a) Landlord shall provide one (1) restroom in an area designated by the Landlord located on the rear wall of the Demised Premises.
- (b) Restroom shall be furnished with water closet, wall mounted lavatory, electric "Insta-Hot" type water heater, mirror, toilet paper holder, vinyl flooring, cove base, exhaust fan, light with switch and painted walls. Restroom is to comply with applicable accessibility codes.

12. Fire Sprinkler System and/or Fire Alarm System

- (a) An automatic fire sprinkler system and/or fire alarm system will be provided to the extent required for an unoccupied "shell" space, as dictated by applicable building codes, local ordinances and the underwriting authority selected by Landlord.
- (b) Tenant shall pay for all alterations and/or additions to the sprinkler and/or fire alarm system required to meet the requirements of any applicable building codes, local ordinances and Landlord's underwriting authority as constructed pursuant to the Tenant's approved construction plans. ALL SPRINKLER AND/OR FIRE ALARM SYSTEM ALTERATIONS AND/OR ADDITIONAL WORK MUST BE PERFORMED BY LANDLORD'S SPRINKLER AND/OR FIRE ALARM CONTRACTOR AT TENANT'S EXPENSE.
- (c) All sprinkler plans are subject to the review and approval of Landlord's sprinkler consultant, for which Tenant will be charged a one-time review fee.

13. Blade Sign - Tenant's blade sign will be designed, fabricated, and installed by Landlord at Tenant's expense. Landlord is responsible for the fabrication, installation and cost of the blade sign bracket. Location of sign shall be over or adjacent to tenant's front entrance. Tenant is to provide camera ready artwork to Landlord per Landlord's schedule.

B. TENANT'S WORK

All other items of work shall be performed by Tenant at Tenant's expense in accordance with Tenant's final plans and specifications, as approved by Landlord, commencing upon substantial completion of Landlord's Work. Tenant's Work shall include, but shall not be limited to, the purchase, performance and installation of the following items. Tenant's Work shall include all necessary architectural, engineering or design related fees, code related items, permits, special assessments or taxes relating to Tenant's Work.

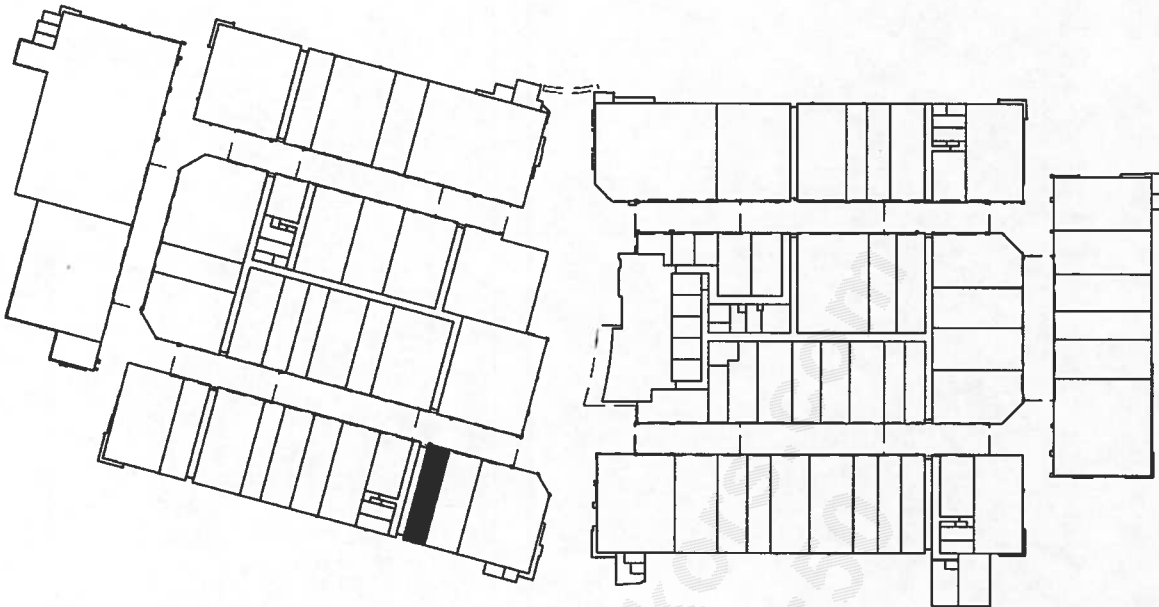
1. Signs - Tenant shall have fabricated and installed at the Tenant's expense, suitable identification sign or signs of such size, design and character as Landlord shall designate and/or approve. Location of all signs shall be determined by Landlord. Location criteria shall include proximity to Tenant's primary entrance and suitability with architectural motif. All signs shall be in accordance with the signage policy or sign criteria established by the Landlord and shall be installed prior to tenant opening at a place or places designated by the Landlord. Tenant shall also be responsible for all costs associated with sign lighting. In order to assure consistency and timely installation, Landlord reserves the right to install lighting on behalf of the tenants in the Shopping Centre and to charge the cost back to Tenant. Tenant shall submit for Landlord's approval one (1) shop drawing at least 60 days prior to the scheduled opening of the Shopping Centre. **PLANS WITH SPECIFICATIONS FOR SIGNS SHALL BE SUBMITTED FOR APPROVAL BY LANDLORD AND PERMIT IS OBTAINED FROM LOCAL/STATE JURISDICTION BEFORE FABRICATION.**
2. Interior Partitions - Tenant shall be responsible for any and all interior partitions, including stockroom partition and exit corridor, as well as any and all drop walls, curtain walls, lowered ceilings, soffitted areas, light covers, show window platforms, store fixtures, furnishings and accessories.
3. Plans and Specifications - Tenant shall prepare plans and specifications for the interior improvements to the premises showing in detail the nature and scope of work to be done by Tenant. Drawings, specifications and samples must be submitted to Landlord as follows:
 - a. Final Working Drawings - one set of bond prints 24" x 36" format. Also a digital copy (autocad, dwf or pdf format)
 - b. As built - digital copy (autocad, dwf or pdf preferred format)
4. Permits; Local Code Requirements - Tenant's Work must comply with all applicable building codes and local ordinances for Tenant's Work. Tenant shall be responsible for securing, at its expense, all required permits before commencing work. Tenant shall also be required to meet all local energy regulations, at Tenant's expense and shall be responsible for any additions, modifications or improvements to the Premises required by local code, including, but not limited to mop sinks, water fountains or coolers, additional restrooms, entrance vestibules, egress corridors, and the like.
5. Tenant Contractor - NO WORK SHALL BE DONE ON THE PREMISES BY TENANT UNTIL LANDLORD HAS APPROVED TENANT'S PLANS AND CONTRACTOR IN WRITING. In instances where Tenant's Work may coincide with Landlord's completion of the Shopping Centre (as is the case of new centers or new phases) Tenant's General Contractor shall work in conjunction with Landlord's building contractor so that Tenant's contractor does not interfere or delay the construction process of Landlord's building. Tenant's contractor must perform the work in such a manner as not to cause harm to Landlord's Work, delay the progress of such work or create conflicts with labor organizations. Landlord reserves the right to cause the removal of the Tenant's general contractor if any such labor problems arise. Tenant's contractor must keep the area, HVAC system and restroom clean and free of dust and debris, with a minimum of noise and interruption to the common areas of the project. Tenant's contractor is responsible for keeping interior and exterior areas clean of construction debris at all times. If the Tenant contractor fails or refuses to keep these areas clean at all times, Landlord reserves the right to clean these areas at Tenant's expense. Tenant contractor must contract with Landlord's approved vendor for all trash removal. Tenant's contractor shall erect

temporary partitions, dust barriers, etc. as required by Landlord to minimize impact of construction activities on the common areas of the project.

6. Temporary Utilities – Tenant is responsible for all utility charges for the premises beginning with the turnover of the space from Landlord or the start of construction, whichever is the earlier. If permanent power or telephone lines are not available for any reason at Tenant turnover, it is the responsibility of the Tenant/Tenant Contractor to provide temporary construction power and/or temporary phone service (e.g., generator, cellular service, etc.).
7. Trash Removal - The Tenant/Tenant Contractor will be responsible to contribute to the refuse service that will be established for the project. A one-time charge of \$1.00 per square foot will cover costs of waste removal. Tenant must use designated areas for location of refuse containers and must keep surrounding areas free from debris and trash.
8. Special Requirements for Roof Penetrations/Slab Grade Cutting and Patching - Any work, including cutting, venting, or duct installations, which involves cutting into, or penetrating in any manner, the existing roof structure and/or roofing material **MUST BE PERFORMED BY LANDLORD'S ROOFING CONTRACTOR AT TENANT'S EXPENSE**. Tenant shall not permit his contractor or any subcontractor to perform such work. Tenant shall be liable for all damage resulting from unauthorized roof penetrations and their consequent effect on the integrity of the roof and its guarantee by the Manufacturer or Contractor. Any work which involves penetration of the building slab, shall be repaired per the replacement details and methods contained in the "Tenant Handbook" including the patching of the Stego and waterproof sub-slab vapor membrane.
9. Insurance - Tenant should make early arrangements with an insurance company to provide the coverage required within the lease. Prior to the start of Tenant's Work, Landlord, or Landlord's Insurance Agent, must receive the certificate(s) of insurance required under the Lease (i.e., insurance required for tenant and insurance required for tenant contractors).
 - i. Insurance Requirements. Prior to commencement of Tenant's Work and until completion thereof, or commencement of the Lease Term, whichever is the last to occur, Tenant shall effect and maintain Builder's Risk Insurance covering Landlord, Landlord's general contractor, Tenant, Tenant's contractors and Tenant's subcontractors, as their interest may appear against loss or damage by fire, vandalism and malicious mischief and such other risks as are customarily covered by a standard "All Risk" policy of insurance protecting against all risk of physical loss or damage to all Tenant's Work in place and all materials stored at the site of Tenant's Work, and all materials, equipment, supplies and temporary structures of all kinds incidental to Tenant's Work, and equipment, all while forming a part of or contained in such improvements or temporary structures, or while on the Premises or within the Center or the Complex, all to the actual replacement cost thereof at all times on a completed value basis. In addition, Tenant agrees to indemnify and hold Landlord harmless against any and all claims for injury to persons or damage to property by reason of the use of the Premises for the performance of Tenant's Work, and claims, fines, and penalties arising out of any failure of Tenant or its agents, contractors and employees to comply with any law, ordinance, code requirement, regulations or other requirement applicable to Tenant's Work and Tenant agrees to require all contractors and subcontractors engaged in the performance of Tenant's Work to effect and maintain and deliver to Tenant and Landlord, certificates evidencing the existence of, and covering Landlord, Tenant and Tenant's contractors, prior to commencement of Tenant's Work and until completion thereof, the following insurance coverages:

- a. Workmen's Compensation and Occupational Disease insurance in accordance with laws of the State in which the property is located and Employer's Insurance to the limit of \$100,000.00.
 - b. Commercial General Liability Insurance affording protection for bodily injury, death, personal injury and property damage, and including coverage for contractual liability, independent contractors, completed operations and products liability with limits of not less than \$3,000,000.00 combined single limit per occurrence.
 - c. Comprehensive Automobile Liability Insurance, including coverage for "non-owned" automobiles, for property damage, bodily injury, including death resulting therefrom with limits of not less than \$1,000,000.00 for any one occurrence combined single limit.
 - d. Owners and contractors protective liability coverage for an amount not less than \$1,000,000.00.
11. Notice of Non-Responsibility - Landlord shall have the right to post and record a notice of non-responsibility for work being performed by Tenant within the premises as permitted by law. Tenant shall give Landlord prompt written notice of the commencement of Tenant's Work.
 12. Bonds or Other Security - Landlord shall have the right to require Tenant to furnish a payment bond or other security in form satisfactory to Landlord for the prompt and faithful payment of all costs and expenses incurred in the performance of Tenant's Work. Tenant shall be responsible for promptly discharging any mechanics' liens recorded against the Shopping Centre.
 13. Certificate of Occupancy - Upon completion of Tenant's Work, Tenant shall provide Landlord with a copy of the certificate of occupancy issued by the appropriate governmental agency for occupancy of the premises.

EXHIBIT "B"
SITE PLAN



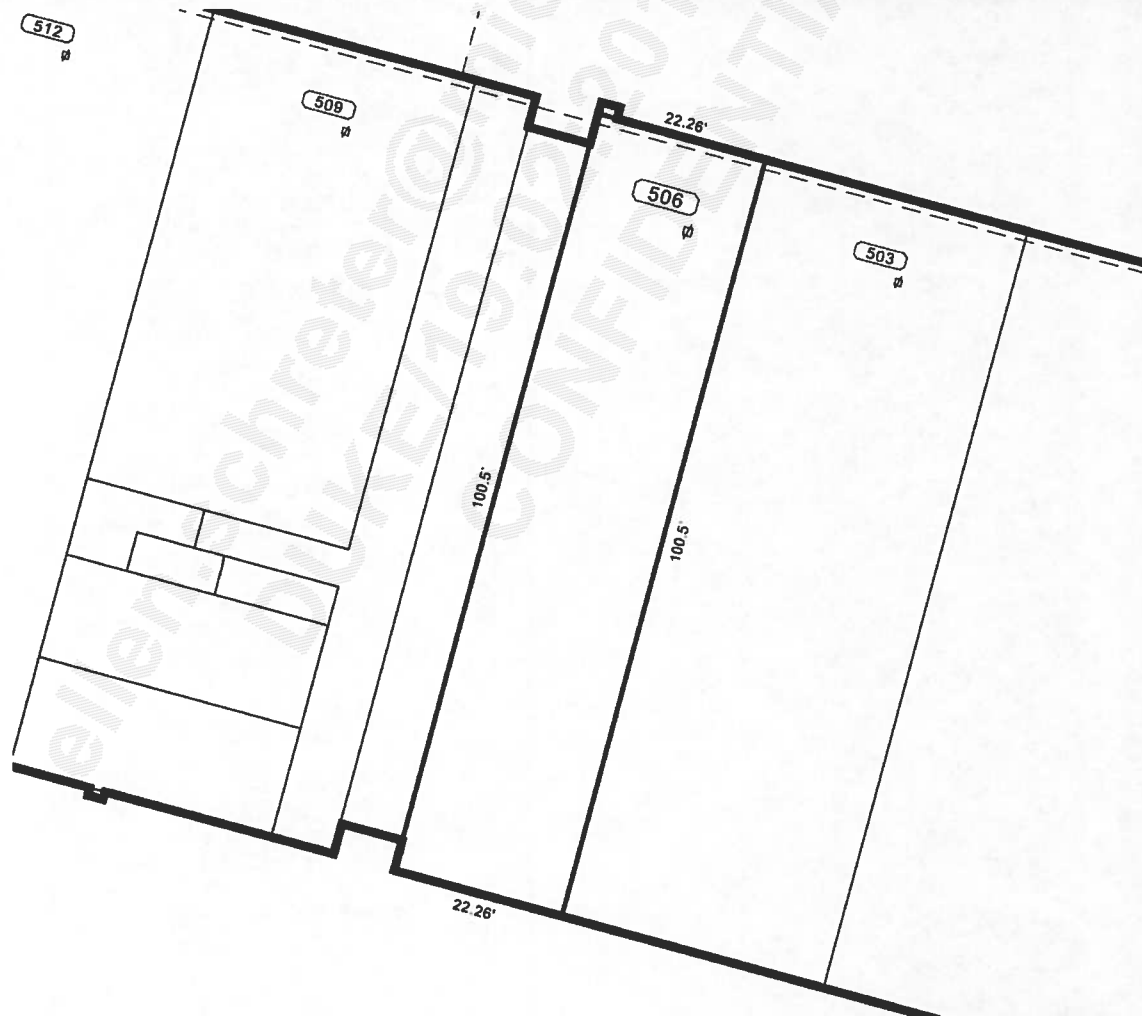
TORONTO PREMIUM OUTLETS

TSD# 506
Level: 01

PREMIUM
OUTLETS

SIMON

105 Eisenhower Parkway
Roseland, New Jersey 07068



The information in this document is confidential and a proprietary trade secret of the Landlord and may not be copied, distributed, published or disclosed without prior written permission. Landlord retains the right to design, change, alter or modify (without prior written notice) the size and configuration of any or all of the Center or any of the buildings, premises, hallways, malls, corridors, kiosks, tenant spaces or common areas contained therein, including, but not limited to, the identity, size, configuration, location or arrangement of any of the foregoing. This document does not constitute any contract or obligation by the Landlord. Landlord makes no representations or warranties regarding the Center, any premises contained therein, or the accuracy of the information contained in this document. It is the responsibility of Tenant or Tenant's contractor to field verify existing site conditions and dimensions.

DBA Name:
Unit No. 506
Leasing Agent:

Date: 02/11/13 15:03
Scale: 1" = 20'
Corp. No. 8004

EXHIBIT "C"
RULES & REGULATIONS

1. Tenant shall supply replacement light bulbs, ballasts, etc., for interior lighting of the Demised Premises.
2. Tenant shall provide and maintain adequate, functioning fire extinguisher(s) readily available within the Demised Premises.
3. Tenant shall provide and maintain a small First Aid kit available within the Demised Premises in the event of cuts or minor injuries.
4. Tenant shall keep the Demised Premises in a neat and clean condition and shall maintain the Demised Premises and Tenant's personal property therein as an attractive shopping area in accordance with the general character of the Shopping Centre. Tenant shall ensure that rugs or doormats in front of the Demised Premises are brushed or shaken daily.
5. Tenant shall keep the windows of the Demised Premises clean inside and outside. However, Tenant shall not permit the cleaning of any windows or other exterior maintenance and janitorial services to be performed except by such person(s) as shall be approved by Landlord and except during reasonable hours designated by Landlord for such purpose.
6. Tenant shall comply with all applicable smoking regulations. No smoking shall be allowed within the Demised Premises; customers and invitees shall be so advised when violating this rule. In no event shall any Tenant be permitted to burn candles or otherwise use any open flames within the Demised Premises or any other part of the Shopping Centre.
7. Tenant shall comply with all regulations concerning the disposal of trash from the Demised Premises and shall not throw, discard or deposit any paper, glass or extraneous matter of any kind, except in designated receptacles, or create litter or hazards of any kind. In general, trash from daily operations should be placed in plastic garbage bags, securely tied at the top and deposited in the appropriate dumpster. No trash or boxes may be left in front of the Demised Premises. All cartons must be crushed flat and tied in bundles. There shall be no burning of trash, refuse or waste materials.
8. Tenant shall not deface, damage or demolish any part of the Demised Premises or any sign, light standard or fixture, landscaping materials or other improvement within the Shopping Centre, or the property of any customers, invitees or employees situated within the Shopping Centre. In the event Tenant sells or distributes stickers, decals, or similar materials, and such stickers, decals or other materials are placed on buildings, windows, signs or other common areas, Tenant shall be responsible for all costs associated with the removal of such materials and/or clean-up associated therewith, including a 15% overhead fee to compensate Landlord for its supervision of any such clean-up. Landlord also reserves the right to require Tenant to discontinue the sale or distribution of such materials if they become a nuisance.
9. Tenant shall not use, permit or suffer the use of the Demised Premises, or any part thereof, for any purpose other than for the retail sale of the items identified in Tenant's Lease. Specifically, but not by way of limitation, Tenant shall not use, permit or suffer the use of the Demised Premises, or any part thereof, as living, sleeping or lodging quarters, or other residential purpose, nor shall tenant store or stock in the Demised Premises any goods, wares, merchandise or other property except such as are reasonably required for the conduct of Tenant's business in the Demised Premises.
10. Tenant shall operate the heating, ventilating and air conditioning system servicing the Demised Premises in such a manner so as to provide (i) adequate heat,

ventilation and air-conditioning in and to the Demised Premises during all business hours of the Shopping Centre and (ii) sufficient heat during all other times so as to prevent freezing of all pipes within the Demised Premises.

11. Tenant shall not carry on any trade or occupation, or operate any instrument or apparatus or equipment which emits any odor or causes any noise or sound discernible outside the Demised Premises and/or which may be deemed offensive in nature. Tenant shall not use any televisions, flashing lights or other devices in a manner so as to be seen outside of the Demised Premises. Tenant shall not install or permit to be installed in, on or about the Demised Premises any audio, video or radio transmitting equipment, diathermy equipment, x-ray equipment or any other material or equipment which would cause any interference with, or interruption of, electronic reception or transmission anywhere in the Shopping Centre.
12. Tenant shall not obstruct the passageways, driveways, walks, roadways, exits and entries in, to, from and through any part of the Shopping Centre used in common with other tenants. Where the Shopping Centre walkways are wide enough to permit open doors, Landlord will permit Tenants to keep doors open in fair weather, provided (i) an approved door stop is utilized when the doors are propped open, and (ii) outside temperatures do not exceed 90 degrees (typically exceeding a 15 degree temperature differential between inside HVAC temperatures and outside temperatures). During times when outside temperatures exceed 90 degrees, or as otherwise reasonably required by Landlord, doors must be closed. Landlord's security personnel will be authorized to close doors that they observe to be propped open during these times.
13. Tenant shall cause all trucks servicing it to load and unload prior to or after the hours of the Shopping Centre opening for business to the general public.
14. Tenant shall promptly execute and deliver whatever instruments may be required to carry out the intent of any provision of the Lease.
15. Tenant shall not use any Common Area for any purpose, other than ingress, egress and parking, and such other common purposes as may be designated by Landlord from time to time. Tenant, its employees and/or agents, shall not solicit business in the parking or other Common Areas, nor shall Tenant, its employees or its agents, distribute any handbills or other advertising matter in or on the parking or other Common Areas, or in or on any automobiles parked therein, except as may be expressly permitted by Landlord in each instance.
16. Tenant shall be open for business during the days and hours established by Landlord, which days and hours may be changed from time to time at Landlord's discretion.
17. Tenant shall, not use the plumbing facilities for any purpose other than that for which they are constructed, and no grease, paint or foreign substance of any kind shall be disposed of therein, and the expense of any breakage, stoppage, damage or environmental clean-up mitigation efforts (whether on or off the Demised Premises) resulting from any breach thereof shall be borne by Tenant.
18. Tenant shall not operate in or on the Demised, Premises or in any part of the Shopping Centre any coin or token operated vending machine or similar device for the sale of merchandise (including, without limitation, pay lockers, pay toilets, scales, amusement devices, and machines for the sale of beverages, foods, candy, cigarettes or other commodities.
19. Tenant shall not place or maintain any display of merchandise, or otherwise conduct any business (including, with limitation, the storage of any merchandise or other property of Tenant), in any areas of the Shopping Centre outside of the Demised Premises without the express permission of Landlord.

20. Tenant shall keep its display windows and sales areas illuminated and its signs and exterior lights lighted each and every day of the Term during the hours designated by Landlord.
21. Tenant or its agents shall not enter upon or have access to any roof at the Shopping Centre without Landlord's express prior consent in each instance.
22. If the Demised Premises are or become infested with vermin, Tenant shall at Tenant's expense cause the same to be exterminated from time to time to the satisfaction of Landlord and shall employ such exterminators and such exterminating company or companies as shall be approved by Landlord.
23. Tenant shall require its employees to park in any designated "Employee Parking Area" as directed by Center Management. Landlord shall be required to issue no more than two written warnings per employee violation of this provision, and may thereafter levy a fine of \$50.00 per occurrence, which shall be billed to Tenant as Additional Rent. Landlord shall apply the proceeds of such fines as additional marketing expenditures for the Shopping Centre. After issuance of a written warning pursuant to the forgoing provision, Landlord, at its sole discretion, shall have the right to cause an employee's illegally parked car to be towed at the owner's expense. Further, vehicles operated by Tenant's Employees shall be subject to all regulations, limits, and ordinances imposed by the Shopping Centre or any governing authority.

ellen.schreter@michael
DUKE/19:02:2016
CONFIDENTIAL

EXHIBIT "D"

PREMIUM | SIMON®
OUTLETS®

STOREFRONT CRITERIA

ellen.schreter@michaelkors.com
DUKE/19:02:20/14:50
CONFIDENTIAL

Display Windows

- A. The Tenant is responsible, at all times, for the appearance and maintenance of the display windows of their store. Tenants are responsible for ensuring interior and exterior surfaces of display windows and entrance doors are kept clean at all times.
- B. Displays and merchandising must be done with good taste and must be professionally executed.

Display walls on storefront are to be a minimum of two feet (2') from windows. Proposed signage on the display walls is limited to Tenant Name and/or logo, however, other brand names may be allowed if such has been provided for in the Tenant's Lease agreement. Size, type and quantity of display wall signage allowed to be determined by Landlord.

- a. Sign illumination type for displays wall is reverse channel/halo lit
- b. Sign size for display walls cannot exceed 75% of Tenant's exterior storefront sign with a maximum letter height of 24" and maximum logo height of 36".

Window Display & Display Wall Signage Examples:



Note: Landlord understands Tenants' need to maximize merchandise capacity; however, only 50% of the "glass" storefront can be utilized for display walls, subject to Landlord review and approval of design.

- C. The Landlord reserves the right to require the Tenant to remove, repair or restore any display that the Landlord considers to be in poor taste or unprofessional.
- D. Tenant shall not be permitted to tint their storefront display windows without Landlord's prior approval. Tenants permitted to install UV film as specified by Landlord are responsible for maintenance of the film. Upon lease termination, Tenant must remove film. See, Section 2, below for approved film types.
- E. "Blacking out" or painting of windows, including holiday themes, is prohibited.
- F. In certain situations, display windows may require special solutions to optimize customer viewing. Platforms, risers and props are encouraged for use in display windows to enhance the window appearance and presentation of the product.

- G. The use of tape on doors, windows or storefront frames is prohibited.
- H. The display or use of multiple product boxes (such as shoe boxes) in windows or displays is prohibited.
- I. Cartons and boxes used for shipping or storage must be kept clear of windows and doorways at all times.
- J. Merchandise may not be attached to entrance doors or storefront windows at any time.
- K. Tenant security grills or metal gates must be concealed when store is open for business. Prior to installation of security grills or metal gates, Tenant must receive approval from Tenant Manager/Landlord.
- L. No security alarm boxes, bells or sirens shall be installed on or above storefronts. All alarm boxes, bells or sirens are to be placed on the rear façade of the building only, subject to Landlord approval.

2. **Storefront Window Tinting Policy**

- A. All Tenants must use the specified window tints. No deviations will be accepted without Landlord approval.
- B. Products that must be used are either
 - “Armorgard” by Solar Gard, 2 mil. Clear (standard)
 - 4 mil. Clear (security)
 - 7 mil. Clear (security plus)

This clear film rejects approximately 99% of UV but provides no protection from the heat.
 - “Panorama Hilite 70”

This film is clear on the glass, but rejects 55% of solar energy including 95% of near infrared (heat from the sun), which is an advanced film type.
- C. Interior installation and clear film only.

3. **Display Lighting**

- A. The Tenant is required to provide and install appropriate lighting fixtures to illuminate the area inside each storefront window “window display area” to no less than 100 foot candles measured 36” inward from glazing.
 1. Incandescent or halogen lighting is permitted. Fluorescent lighting is prohibited for use in window display illumination.
 2. Surface mounted adjustable track, or recessed lighting may be utilized to illuminate the window display area.
 3. Plans for such lighting must be included with initial Tenant build-out plans and are subject to Landlord’s approval.
 4. All Tenant supplied and installed lighting fixtures must be “UL Approved”.

Each window display must be illuminated for day and night viewing.

The Tenant is responsible for maintenance, repair and bulb replacement for all lighting within Tenant’s space.

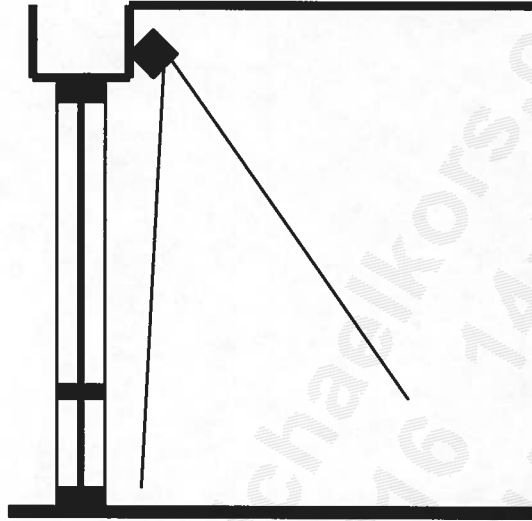
The Landlord reserves the right to require the Tenant to remedy any display lighting conditions deemed to be inadequate.

The Landlord reserves the right to determine the minimum hours window display lighting shall remain illuminated after store closing.

If required by the Landlord, the Tenant shall be responsible for installation and proper operation of any time-switching device needed to ensure compliance with required lighting hours.

Display Lighting

Track lighting mounted to the back face of Storefront soffit gives the best opportunity for highlighting merchandise and display. IF USED, THESE LIGHT FIXTURES MUST BE HIDDEN AND NOT VISIBLE FROM THE EXTERIOR OF GLASS.



4. Storefront Signage

All Tenant signage must be approved by the Landlord prior to fabrication and installation. Any unapproved sign placed upon or outside of Store or in any part of the Shopping Centre shall be considered a violation of the Tenant's Lease Agreement.

A. Exterior Store Identification Signage

The Landlord permits permanent store identification signage under provisions contained in the Tenant Sign Criteria specific to each Center. These Sign Criteria are in compliance with local regulations and have been adopted by the local governing authority having such jurisdiction. Please consult the Center's Sign Criteria for Primary and, if applicable, Secondary Building Signage and installation requirements.

B. Temporary Exterior Store Identification Signage

While the Lease requires a permanent sign to be installed, the Landlord recognizes that permits and installation may be occasionally delayed. In these instances, Tenant must refer to the Temporary Sign Criteria.

1. All temporary signage requires Landlord approval.
2. Each Variance is limited to the earlier of four weeks or the date of permanent signage installation. Upon expiration, the variance may be extended upon Landlord receiving documentation of scheduled installation of permanent signage.
3. Temporary signage must be installed per the Criteria. Damage to storefront/fascia caused by improper installation of temporary signage shall be solely the responsibility of Tenant. If Tenant does not make the necessary repairs, the repairs shall be made by Landlord at Tenant expense.

4. ***NO BANNERS ALLOWED.***

C. Entry Door/Storefront Window Signage

1. For the purpose of store identification, the Tenant may propose to the Landlord a design layout of Tenant name and/or logo only, in white, black or specific logo color, subject to Landlord's approval, in Vinyl Die-Cut Graphics for placement on the inside of entry doors. Each door is permitted 1 square foot of Vinyl Die-Cut Sign area. The area must be centered from grade or as otherwise directed due to door configurations.

Please confirm placement with the Center management before fabrication and installation.

Door Vinyls:



2. For the purpose of additional store identification, unless otherwise specifically approved by the Landlord, the Tenant may also propose to the Landlord a design layout of store name and/or logo only, in white, black or specific logo color subject to Landlord's approval in Vinyl Die-Cut Graphics for placement on the inside of every other (alternating) display window. Size ranges and ".com" are not permitted. The maximum permitted area on each window may not exceed 1 square foot and placement must occur in the centered area measured a minimum of 8" inward toward the window's center from the vertical edges of the window and may not exceed 42" above grade.

Window Vinyls:

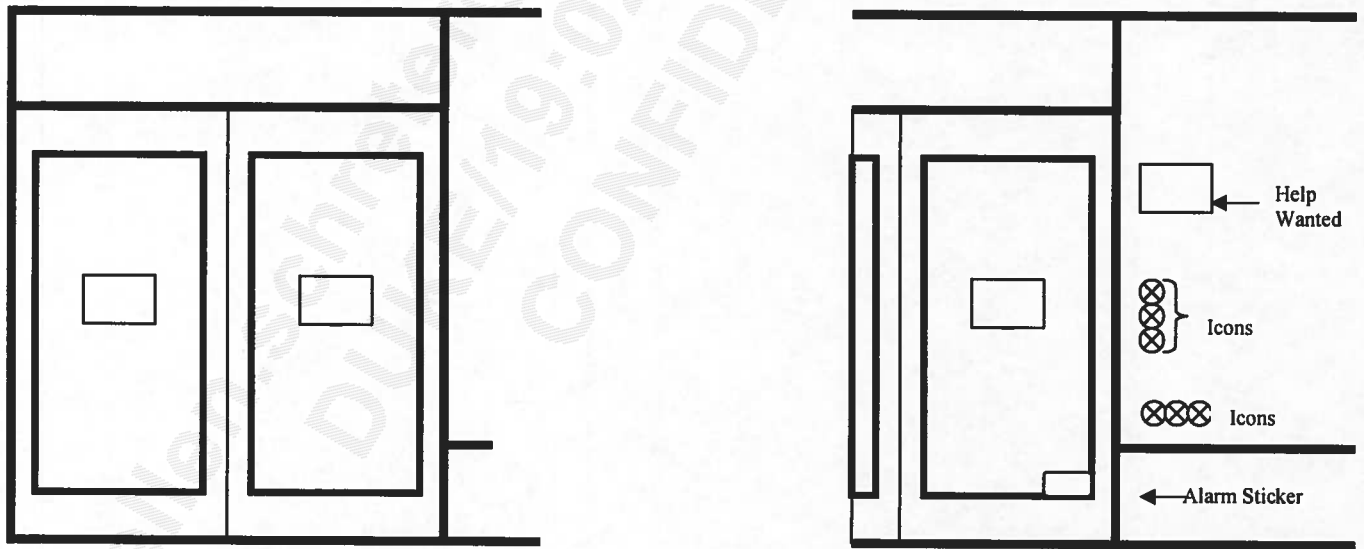


3. Permanent store signage as a part of window background display is limited to 1 square foot of sign area per 1 lineal foot of store frontage.
4. Tenant supplied "Help Wanted" signs are prohibited.
5. "Help Wanted" and other standard information signs as deemed necessary by Landlord, are provided by Landlord and shall be affixed to the inside

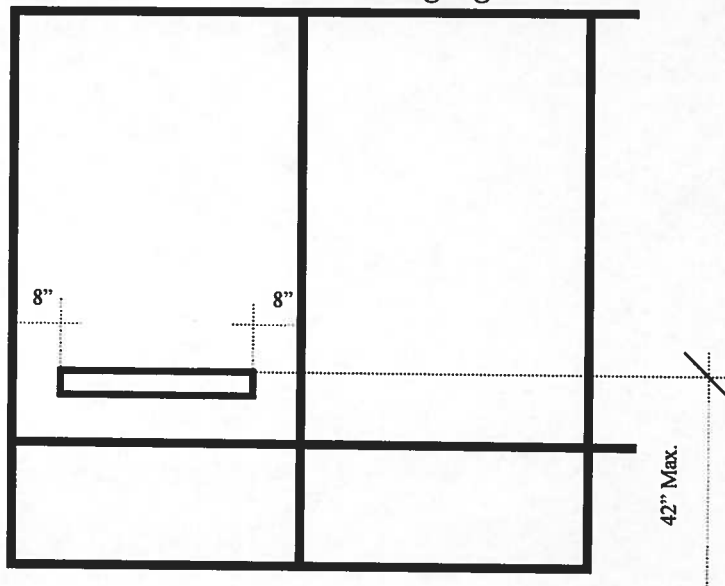
left edge of the window immediately adjacent to the right of entry doors and no higher than 48" above grade. Such signage shall only be permitted to be affixed with clear suction cups.

6. Standard information signage icons such as no food, drink, smoking, store hours, etc. shall be provided by Landlord only. Facebook, Twitter, Foursquare shall be provided by Landlord at Tenant request and Tenant expense.
7. Other than as provided in Items 4.C.1, 2, 5 and 6, no signage of any type is permitted to be placed in or affixed to storefront windows or doors.
8. Credit card or check acceptance signs or logos placed on storefront display windows or doors are strictly prohibited.
9. Alarm company stickers shall be limited to one per entry door and be located only at the extreme lower right corner of the glass area on the door.
10. Handicap access stickers are permitted and shall be placed according to ADA or local jurisdiction under the supervision and approval of the Landlord.
11. The Landlord reserves the right to require a Tenant, at its expense, to remove any storefront signage it considers to be non-complying or unprofessional.
12. All Tenant signage must be removed upon expiration or earlier termination of the Lease, and the storefront/fascia repaired, all at Tenant's expense.

Entry Door Signage



Window Signage

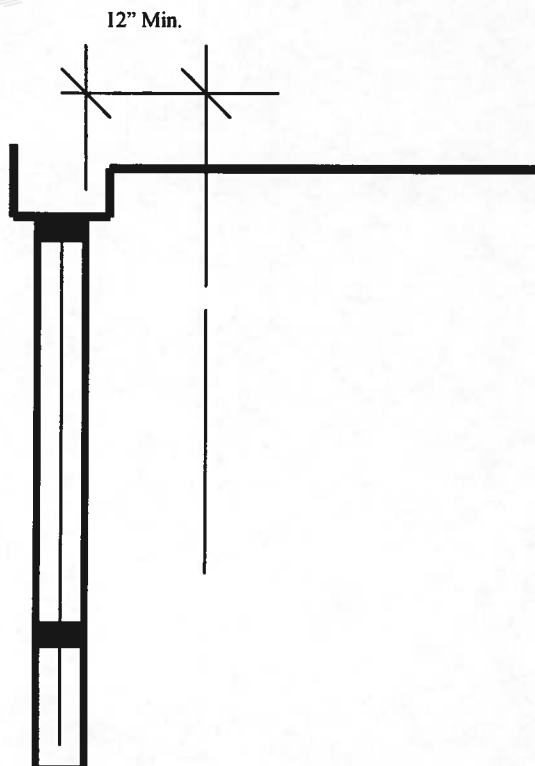


D. Temporary Promotional Window Signage

1. All temporary “promotional” type signage requires Center Manager’s review and approval of Promotional Sign Variance.
2. Each Variance shall be limited to two weeks, and upon expiration may be renewed once with proof of supporting advertising (4 weeks maximum).
3. Temporary promotional posters/signage may be allowed to cover a portion (up to 30%) of the lineal width of Tenant’s storefront glass area.
4. All temporary promotional signage must be professionally produced. Handmade or personal computer graphics signs are prohibited.
5. Promotional Signs affixed in any manner to storefront windows or entry doors are strictly prohibited. Such signs intended to be visible through storefront windows may be incorporated into a window display or be temporarily suspended with monofilament (nylon fishing line) no closer than 12” from the inside of the window.
6. Individual sign panels must be spaced a minimum of 6’ from one another.
7. Fabric or lightweight posters must be weighted. Curled sign materials are not permitted.
8. All interior posters/banners shall be considered “Temporary Promotional Signage” and as such, be subject to all rules governing same. The area of interior banners may not exceed 1 square foot per lineal foot of storefront. In no case may an interior banner/poster, which is not part of a window display, be hung closer than 15’ (feet) from the storefront.
9. **NO promotional or other graphics may be affixed on windows without special approval from Premium Outlet’s Marketing Department.**

“Temporary Promotional Signage”

Temporary Signs Suspended From Ceiling



10. Exterior banners are prohibited.
11. "A-frame", poster holder or other types of freestanding signs may not be placed outside of the Lease Line at any time. The Lease Line is defined as the boundary between storefront glazing and entrance doors, and common area.
12. No merchandise shall be placed outside of Lease Line, unless specifically permitted by Landlord (i.e. sidewalk sales).

5. Construction/Remodel Window Graphics

- A. Tenants under construction may submit preferred "opening soon" window graphic treatments to Tenant Manager for review and approval.
 1. Graphics must be applied to interior side of windows/doors and cover entire glass area.
 2. Proposed graphics should be representative of Tenant's name/logo.
 3. Website addresses, www.com's are NOT allowed on temporary window graphics.

All graphics shall be reviewed for conformance with these criteria and overall design quality. Approval or disapproval of window graphic submittals based on aesthetics of design shall remain the sole right of the Landlord.





Graphics

Examples: Tenant "Opening Soon" Window

ellen.schreter@michaelkors.com
DUKE/19:02:2016 14:50
CONFIDENTIAL

6. Lifestyle Graphics for Store Windows

A. In some instances, Tenants design/layout of their store may prompt requests for blocking off window areas of a leased premise. Although it is Landlord's preference for all store windows to display Tenant's merchandise, Landlord will consider lifestyle graphics for coverage of windows on an individual basis. Allowed window coverage varies by center, architectural conditions and storefront window configurations. Tenants must submit their proposed lifestyle graphic treatments to Tenant Manager for review and approval.

1. Approved graphics must be applied to interior side of windows and cover entire glass area. NO EXTERIOR APPLIED GRAPHICS ARE PERMITTED.
2. Proposed graphics should be representative of Tenant's name/logo and/or merchandise.

All graphics shall be reviewed for conformance with these criteria and overall design quality. Approval or disapproval of window graphic submittals based on aesthetics of design shall remain the sole right of the Landlord.



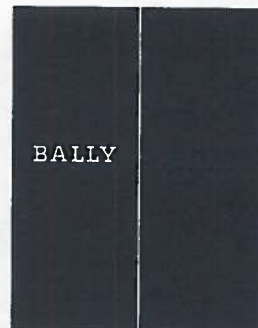
Windows

Examples: Lifestyle Graphics for Store

7. Barricade Graphics

A. Barricades must be erected if there is any construction that goes beyond or on the front wall of Tenant space. These barricades must be painted with 3 coats of white paint. Tenant contractor must maintain a safe environment for customers and employees during construction period. All work areas must be inaccessible or blocked off from customer/employee flow. Placement and design must be approved in writing by Landlord PRIOR to installation of barricade.

1. Signage/graphics permitted on barricade: Typical graphics installed on barricades consist of 2' high x 4' wide pvc (2mm thick) panels with lettering, which may include Tenant name, logo, opening soon and/or opening date. Number of signage panels allowed depends on length of barricade. Bottom of sign panels to be installed at 3' AFF. Alternate vinyl type graphics like the example below may also be proposed to Tenant Manager for review and approval.



Tenants must submit their signage/graphic barricade designs to Tenant Manager for review/approval.

8. Prohibited Signs, Displays and Acts

A. Signs Constituting a Traffic Hazard

Signs which simulate or imitate in size, color, lettering or design, any traffic sign or signal, or which makes use of the words "STOP", "LOOK", "DANGER", or any other

words, phrases, symbols or characters in such a manner to interfere with, mislead or confuse traffic are prohibited.

B. Immoral or Unlawful Signage

Signs referencing anything of any obscene, indecent or immoral nature or unlawful activity are prohibited.

C. Signs on Doors, Windows or Fire Escape Paths

Placement of signs in the walkway area in front of stores is not permitted. No signs shall be installed, relocated or maintained so as to prevent free ingress to or egress from any door.

D. Animated, Audible or Moving Signs

Signs consisting of, or giving the effect of moving, swinging, rotating, flashing, blinking, scintillating, fluctuating or having animated light or sound are prohibited.

E. Credit Card or Check Acceptance Signs or Logos

Placement of vendor provided adhesive signs on entry doors or storefront glass is prohibited.

F. Unprofessional Signs

Hand lettered or personal computer generated signs are prohibited in public view. Absolutely no signs are permitted to be taped to the storefront or any other surface in public view.

G. Neon or Internally Illuminated Signs

Unless specifically approved by the Landlord, neon or internally illuminated signage is prohibited. If permitted, the sign must be back at least 10' 0" from storefront display windows. Tenant may propose a reverse channel halo lit sign (Tenant name and/or logo only) to be mounted to a display wall, no closer than 2' 0" from storefront windows.

H. TV/Display Monitors/Security Cameras

Unless specifically approved by Landlord, TV/Display Monitors must be installed at least 10' (feet) from storefront display windows. Security cameras must face inside store (not outside Tenant space) and shall be located inside Tenant suite.

I. WEB Addresses

Signs in display windows prominently displaying WEB addresses (.com) as their primary purpose are prohibited.

J. Off-Premise Signs

Any sign installed for the purpose of advertising a project, event, person or subject not occurring on Center property is prohibited unless specifically authorized by the Landlord.

K. Vehicle Signs

Signs on or affixed to trucks, automobiles, trailers or other vehicles which advertise, identify or provide direction to a use or activity not related to its lawful making of deliveries of merchandise or service are prohibited.

L. Inventory Liquidation Signs

Signs implying or stating that a store will be closing such as "Going out of Business", "Bankruptcy Sale", "Closing this Store", "Lost our Lease", "Everything Must Go", etc. are strictly prohibited.

M. Light Bulb Strings

Displays, other than temporary decorative holiday lighting during the months of November and December, which consist of unshielded light bulbs or light bulb strings are prohibited unless otherwise specifically approved.

N. Flyers

Distribution of flyers for any purpose outside of Tenant's leased premises, unless specifically authorized by Landlord, is prohibited.

Appendix “C”

AGREEMENT CONFIRMING PURCHASE AGREEMENT

THIS AGREEMENT is made as of the day of April, 2016

BETWEEN:

KSV KOFMAN INC. ("KSV"), in its capacity as Court appointed Receiver (the "**Receiver**") of the assets, undertakings and properties of Danier Leather Inc. ("**Danier**")

- and -

MICHAEL KORS (CANADA) HOLDINGS LTD.
(the "**Purchaser**")

RECITALS:

- A. Halton Hills Shopping Centre Partnership, an Ontario general partnership (the "**Landlord**"), as lessor, and Danier, as lessee, are parties to a lease agreement dated July 9, 2013 for unit 506 having a floor space of approximately 2,238 square feet (the "**Premises**") at the Toronto Premium Outlets in Halton Hills, Ontario (the "**Lease**");
- B. On February 4, 2016, Danier filed a Notice of Intention to Make a Proposal (the "**NOI**") in accordance with the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") and KSV was appointed as trustee under the NOI (the "**Proposal Trustee**");
- C. On February 22, 2016, the Purchaser presented an Offer to Purchase the Lease and the leasehold improvements, trade fixtures and equipment situated at the Premises and all plans and drawings relating thereto (the "**Purchased Assets**") to Danier and the Proposal Trustee, which Offer was accepted by Danier with minor amendments on March 1, 2016 and acknowledged and accepted by the Proposal Trustee on March 3, 2016 (collectively with the Offer to Purchase, the "**Purchase Agreement**"). A copy of the Purchase Agreement is attached hereto as **Schedule "A"**;
- D. On March 21, 2016, the Court appointed KSV Kofman Inc., as the Receiver;
- E. On April 14, 2016, the Receiver agreed to extend the date by which the condition under the Purchase Agreement set out in Section 4.1(e) relating to obtaining Landlord consent to the transaction contemplated by the

Purchase Agreement shall be satisfied or waived by the Purchaser to April 22, 2016;

- F. On April 22, 2016, the Landlord consent was obtained;
- G. The parties are entering into this Agreement to confirm that the Receiver will perform the obligations under and be bound by the terms the Purchase Agreement in place of Danier; and
- H. Unless otherwise expressly provided for herein, all capitalized terms when used in this Agreement have the same meaning given to such terms in the Purchase Agreement.

THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Assumption of Purchase Agreement by the Receiver

The Receiver and the Purchaser hereby acknowledge the terms of the Purchase Agreement and the Receiver agrees to be bound to the Purchase Agreement and to perform the obligations thereunder as a successor party to Danier thereunder.

Acknowledgement of Deposit by the Receiver

The Receiver acknowledges payment by the Purchaser of the Deposit and confirms the Deposit shall be applied against the Purchase Price on Closing and otherwise dealt with in accordance with the Purchase Agreement.

Assignment by the Receiver

Subject to Closing Conditions being satisfied, the Receiver confirms that on Closing the Receiver shall assign and transfer to the Purchaser, as of the Closing Date, all of Receiver's and Danier's obligations, rights, title and interest, both at law and at equity, in and to the Lease, the Premises and the Receiver's and Danier's interest in the leasehold improvements, trade fixtures and equipment situated in the Premises including those described in Schedule "B" hereto (to the extent same are located at the Premises on the Closing Date) and all plans and drawings relating thereto, and all related rights, benefits and advantages, including the residue of the term of the Lease and any rights of renewal and/or extension and/or purchase, if any, contained in the Lease, subject to the terms and conditions of the Lease.

Further Assurances

Each of the parties covenants and agrees to do such things, and to execute such further conveyances, transfers, documents and assurances as may be deemed necessary or advisable from time to time in order to effectively transfer the Purchased Assets to the Purchaser including Danier's and the Receiver's rights, interests, and obligations under

the Lease to the Purchaser and carry out the terms and conditions of this Purchase Agreement in accordance with its true intent.

Governing Law

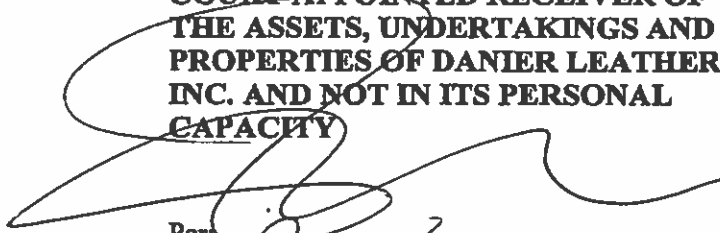
This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Counterparts and Delivery


All parties agree that this Agreement may be executed in counterpart and transmitted by facsimile or e-mail (PDF) and that the reproduction of signatures in counterpart by way of facsimile or e-mail (PDF) will be treated as though such reproduction were executed originals.

IN WITNESS WHEREOF the parties hereto have executed and delivered this day of April, 2016.

**KSV KOFMAN INC., IN ITS CAPACITY AS
COURT-APPOINTED RECEIVER OF
THE ASSETS, UNDERTAKINGS AND
PROPERTIES OF DANIER LEATHER
INC. AND NOT IN ITS PERSONAL
CAPACITY**

Per:  _____ c/s
Name: *Robert L. Loring*
Title: *President*

**MICHAEL KORS (CANADA) HOLDINGS
LTD.**

Per:  _____ c/s
Name: *Debra Margles*
Title: *President*

I have the authority to bind the Corporation.

SCHEDULE "A"

PURCHASE AGREEMENT

OFFER TO PURCHASE

certain assets of

DANIER LEATHER INC.

Presented on February 22, 2016

by

Michael Kors (Canada) Holdings Ltd.

as "Purchaser"

to

Danier Leather Inc.

as "Vendor"

and

**KSV Kofman Inc. acting in its capacity as trustee to the Notice of Intention to make a
Proposal of Danier Leather Inc.**

as "Trustee"

OFFER TO PURCHASE

This offer to purchase is presented by **Michael Kors (Canada) Holdings Ltd.**, (“Purchaser”), a corporation subsisting under the laws of Canada, on February 22, 2016, to **Danier Leather Inc.** (“Vendor”) and to **KSV Kofman Inc.** (the “Trustee”) in its capacity as trustee to the Notice of Intention to Make a Proposal of Vendor (the “NOI”) in accordance with the *Bankruptcy and Insolvency Act* (Canada) (“BIA”).

WHEREAS on February 4, 2016, Vendor filed the NOI and the Trustee was appointed as proposal trustee; and

WHEREAS Purchaser wishes to purchase the Purchased Assets (as such term is defined below), the whole in accordance with the terms and conditions set out herein.

1. INTERPRETATION

1.1 Definitions

In this Offer, unless the context otherwise requires, the following terms shall have the respective meanings set forth below and grammatical variations of such terms shall have corresponding meanings:

“**Approval and Vesting Order**” has the meaning set out in Section 4.1(d).

“**Assumed Lease**” means the lease of Vendor indicated in Schedule A hereto.

“**Assumed Liabilities**” means the liabilities and obligations of Vendor, as tenant, arising under the Assumed Lease in respect of the period from and after the Closing Date.

“**BIA**” has the meaning set forth in the preamble.

“**Bid Deadline**” means 5:00 p.m. (Eastern time) on February 22, 2016, or such other later date or time as may be agreed by the Vendor, in consultation with the Trustee and Financial Advisor.

“**Business Day**” means any day, other than a Saturday, Sunday or statutory holiday in the Province of Ontario, on which commercial banks in Toronto, Ontario are open for business.

“**Closing**” means the closing of the Transaction as defined in Section 5.1.

“**Closing Date**” means a date no later than the earlier of (i) the third Business Day following the issuance by the Court of the Approval and Vesting Order, or (ii) such other date agreed by the parties.

“Court” means the Ontario Superior Court of Justice.

“Encumbrance” means all claims, prior charges, liabilities, mortgages, pledges, charges (including court-ordered charges), priorities, debentures, hypothecs, assignments by way of security, security interests, trusts or deemed trusts, financial leasing agreements, conditional sales contracts or other title retention agreements or similar interests or instruments charging, or creating a security interest in, or against title to, any particular property.

“Expiry Time” means 5:00 p.m. (Eastern time) on a date that is 15 Business Days after the Bid Deadline, or such other date as the Vendor and the Purchaser may agree, acting reasonably.

“ETA” means Part IX of the *Excise Tax Act* (Canada), as amended from time to time.

“Financial Advisor” means jointly, Consensus Advisory Services LLC and Consensus Securities LLC.

“Leased Premises” means the leased premises under the Assumed Lease.

“NOI” has the meaning set forth in the preamble.

“Offer” means this offer to purchase, including any schedules attached hereto, as amended, supplemented or restated from time to time by written agreement of the Parties.

“Parties” means Purchaser and Vendor, and **“Party”** means any one of them.

“Purchase Price” has the meaning set out in Section 2.2.

“Purchased Assets” means the following assets of Vendor namely all rights, title and interest of the Vendor in and to the Assumed Lease, including all renewal options relating thereto and in the leasehold improvements, trade fixtures and equipments situated in the Leased Premises and all plans and drawings relating thereto.

“Purchaser” has the meaning set forth in the preamble.

“Sales Taxes” has the meaning set forth in Section 2.5.

“Transaction” means the purchase and sale of the Purchased Assets and all other matters contemplated by this Offer.

“Trustee” has the meaning set forth in the preamble.

“Vendor” has the meaning set forth in the preamble.

1.2 Currency

All references to currency or dollar amounts in this Offer are to the lawful currency of Canada.

1.3 Preamble and Schedule

The preamble hereof and the Schedule attached hereto form an integral part of this Offer.

2. OFFER TO PURCHASE

2.1 Purchase and Sale

Subject to the provisions of this Offer, Purchaser hereby offers to purchase the Purchased Assets from Vendor effective as of the Closing Date in consideration of the Purchase Price and upon the terms and conditions herein stated and Vendor, by its acceptance hereof, agrees to sell the Purchased Assets to Purchaser for the Purchase Price and upon such terms and conditions.

2.2 Purchase Price

The purchase price for the Purchased Assets shall be CDN\$ 250,000.00 (the **“Purchase Price”**). The Purchase Price shall be paid by Purchaser to Vendor on Closing by certified cheque(s) or wire transfer.

2.3 Deposit

Purchaser has delivered to the Trustee on February 22, 2016 a wire transfer to KSV Kofman Inc. – In Trust in the amount _____ represents 10% of the Purchase Price (the **“Deposit”**). On _____ applied against the Purchase Price. If the Offer is terminated for any reason other than a default of Purchaser on or before the Closing Date, the Deposit (together with all interest earned thereon) shall be returned forthwith to Purchaser.

2.4 Assumed Liabilities

Subject to occurrence of Closing, Purchaser shall assume all of the Assumed Liabilities. Purchaser shall not assume any liabilities of Vendor other than the Assumed Liabilities. For greater certainty, the Purchaser shall not assume any of the obligations of the Vendor for taxes or under its employment contracts with its employees or its agreements with any suppliers of utilities or other services.

2.5 Sales Taxes

Purchaser shall bear and pay the applicable sales taxes related to the assignment and transfer of the Purchased Assets imposed by any governmental authority ("Sales Taxes").

3. ACKNOWLEDGEMENT OF PURCHASER

3.1 With respect to this Offer and the Transaction:

- (a) Purchaser acknowledges and represents that Purchaser has had the opportunity to conduct all due diligence regarding the Purchased Assets or Vendor, as the case may be, before submitting this Offer;
- (b) Purchaser acknowledges and recognizes that the sale and purchase contemplated hereby shall be made on an "*as is, where is*" basis, at its own risks and perils, without any representations or warranties of any nature whatsoever, implicit or explicit, legal or conventional, statutory or otherwise, with respect to the Purchased Assets or Vendor, as the case may be;
- (c) Purchaser has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Purchased Assets or Vendor, as the case may be, in submitting this Offer; and
- (d) Purchaser has not relied upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Purchased Assets or Vendor, as the case may be, or the completeness of any information provided.

4. CONDITIONS OF THIS OFFER

4.1 This Offer and the Transaction are subject to the occurrence of each and every one of the following conditions by no later than the Closing Date or such later date as may be mutually agreed by Vendor and Purchaser (the "**Closing Conditions**"), namely:

- (a) the Assumed Lease as previously made available shall not have been modified or disclaimed and shall be, as at the Closing Date, in full force and effect;
- (b) no legal proceedings shall be pending or threatened by any person to enjoin, restrict or prohibit the sale of the Purchased Assets pursuant to this Offer;
- (c) all rent or any other amounts owing to the landlord of the Assumed Lease (the "**Landlord**") accrued up to the Closing Date shall have been paid by Vendor;
- (d) the Court shall have issued an order, which is in form and substance satisfactory to Purchaser (acting reasonably) and which (i) approves and authorizes the Transaction and authorizes Vendor to effect such Transaction, (ii) orders that all of

the Purchased Assets be sold by Vendor and purchased by Purchaser free and clear of all Encumbrances, and (iii) orders the assignment and transfer by Vendor to Purchaser of all of Vendor's right, title and interest, as tenant, in and to the Assumed Lease (the "**Approval and Vesting Order**"); and

- (e) the Landlord shall have consented in writing (the "**Landlord Consent**") to the assignment of the Assumed Lease in favour of the Purchaser including a non-operating ninety day or shorter renovation period (during which period Purchaser will pay all Rent and other amounts payable under the Assumed Lease accruing from and after the Closing Date and will combine the Leased Premises with its adjoining premises) and the amending of the non-financial terms and conditions of the Assumed Lease, such as, without limitation, the Permitted Uses and Tenant's Trade Name, so that it duplicates the present lease of the Purchaser in the Shopping Centre, or on such other terms as Purchaser and the Landlord may agree. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Assumed Lease.

If any conditions contained in this Section 4.1 shall not be performed or fulfilled at or prior to the Closing Date to the satisfaction of Purchaser, acting reasonably, Purchaser may, by notice to Vendor, terminate this Offer and the obligations of Vendor and Purchaser under this Offer shall terminate forthwith and the Deposit shall forthwith be returned to Purchaser. Any such condition may be waived in whole or in part by Purchaser without prejudice to any claims it may have for breach of covenant, representation or warranty;

5. CLOSING

5.1 Time and Place of Closing

Subject to occurrence of each of the Closing Conditions, Closing of the sale and purchase of the Purchased Assets contemplated hereby (the "**Closing**") shall occur on the Closing Date (at such time to be mutually agreed upon by Vendor and Purchaser) at the offices of the Trustee or at such other place agreed upon by the parties.

5.2 Closing Deliveries

Closing shall consist of:

- (a) the signature and execution by Vendor and Purchaser of an agreement effecting the Transaction;
- (b) a copy of the Landlord Consent executed by the Landlord;
- (c) the payment by Purchaser to Vendor of the Purchase Price (less the Deposit) in the manner set forth herein;

- (d) the payment by Purchaser to Vendor of the Sales Taxes;
- (e) the signature and execution by Vendor and Purchaser of any and all documents and the doing by Vendor and Purchaser of any and all things as may be necessary or useful in order to give full and proper effect to the Transaction; and
- (f) the Trustee's signature, execution and filing with the Court of any and all certificates contemplated by the Approval and Vesting Order.

6. ACCEPTANCE

6.1 This Offer is open for Vendor's acceptance at any time up to (but not after) the Expiry Time failing which this Offer shall lapse and become null, void and inoperative for all purposes and the Deposit shall be forthwith returned to Purchaser.

7. MISCELLANEOUS

7.1 Notice

All communications (including, without limitation, all notices, acceptances, consents and approvals) provided for or permitted hereunder (a "Notice") shall be in writing, sent by personal delivery, courier or sent by facsimile or electronic transmission at the following coordinates:

- (a) if to Purchaser:

Michael Kors (Canada) Holdings Ltd.
3424 Rue Simpson
Montreal, QC H3G 2J3
Attention: Debra Margles
E-Mail: debra.margles@michaelkors.com

with a copy to:

Holmested & Associés s.e.n.c.r.l./LLP
1010 de la Gauchetière West
Suite 1230
Montreal QC H3B 2N2
Attention : J. David Holmested / Isabelle Simard
Email: davidh@holmsted.ca / isabelles@holmsted.ca

(b) if to Vendor:

Danier Leather Inc.
2650 St. Claire Avenue West
Toronto ON M6N 1M2
Attention: Brent Houlden
Email: boulden@danier.com

with a copy to :

Davies Ward Phillips & Vineberg LLP
155 Wellington Street West
Toronto ON M5V 3J7
Attention : Jay Swartz / Natalie Renner
Email: jswartz@dwpv.com / nrenner@dwpv.com

(c) if to the Trustee:

KSV Kofman Inc.
150 King Street West
Suite 2308
Toronto ON M5H 1J9
Attention : Robert Kofman / Noah Goldstein
Email: bkofman@ksvadvisory.com / ngoldstein@ksvadvisory.com

A Notice is deemed to be given and received (i) if sent by personal delivery or same day courier, on the date of delivery if it is a Business Day (as defined below) and the delivery was made before 4:00 p.m. (local time in place of receipt) and otherwise on the next Business Day, (ii) if sent by overnight courier, on the next Business Day, or (iii) if sent by facsimile or email, on the Business Day following the day it was so sent. A Party may change its address for service from time to time by providing a notice in accordance with the foregoing. Any subsequent notice must be sent to the party at its changed address. Any element of a Party's address that is not specifically changed in a Notice will be assumed not to be changed.

7.2 Assignment in Bankruptcy

Vendor shall not repudiate, reject, disclaim or terminate any contracts, agreements, licenses or permits affecting the Purchased Assets. This Offer once accepted shall continue to be binding against any future trustee in bankruptcy.

7.3 Brokerage

Each of the parties represents that it has had no dealings with any broker or agent in connection with this Lease other than Oberfeld Snowcap, for which Purchaser is responsible, and covenants to pay, hold harmless and indemnify the other from and against any and all costs, expense or liability for any compensation and charges claimed by any other broker or agent in respect of the transfer of the Assumed Lease.

7.4 Governing Law

This Offer shall be governed by and interpreted in accordance with the laws of Ontario and the laws of Canada applicable therein, and each of the Parties irrevocably attorns to the exclusive jurisdiction of the courts of Ontario.

7.5 Assignment and Enurement

Until and including the Closing Date, Purchaser shall have the right to assign its rights herein to any entity which is a "related person" (as defined in the BIA) to Purchaser upon simple notice to Vendor, save that in such event it shall be jointly and severally (solidarity) responsible with the assignee for all of its obligations hereunder. This Offer enures to the benefit of and jointly and severally (solidarity) binds the Parties and their respective heirs, executors, administrators, personal and legal representatives, successors and permitted assigns.

7.6 Language

The parties hereto acknowledge that they have required that this agreement and all related documents be prepared in English. Les parties reconnaisent avoir exigé que la présente convention et tous les documents connexes soient rédigés en anglais.

SIGNED at Montreal, Quebec, this 22 day of February, 2016.

MICHAEL KORS (CANADA) HOLDINGS LTD.

Per:



President

ACCEPTANCE

Accepted and approved this _____ day of _____, 2016.

DANIER LEATHER INC.

Per: _____

INTERVENTION

The Trustee acknowledges acceptance of this Offer by Vendor.

KSV KOFMAN INC. in its capacity as trustee to the Notice of Intention to make a Proposal of Danier Leather Inc.

Per: _____

DANIER

Thursday, March 1, 2016

BY EMAIL: debra.margles@michaelkors.com

Michael Kors (Canada) Holdings Limited
3424 Rue Simpson
Montreal, QC H3G 2J3

Attention: Debra Margles

Dear Ms Margles:

We acknowledge receipt of your offer dated February 22, 2016 to purchase the lease in favour of Danier Leather Inc. (the "Vendor") for the premises leased to Danier by the Halton Hills Shopping Centre Partnership in the Toronto Premium Outlets Mall at Halton Hills, Ontario.

The Vendor is prepared to accept your offer subject to the following changes:

1. The Closing Date shall be a date which is the later of:
 - (i) the third Business Day following the issuance by the Court of the Approval and Vesting Order; and
 - (ii) five Business Days following notice by the Vendor to the Purchaser that the liquidation of inventory at the leased premises is complete.

provided, however, that in no event shall the Closing Date be before April 30, 2016 or later than June 30, 2016

2. The condition set forth in Section 4.1(e) relating to the Landlord Consent shall have been satisfied or waived by the Purchaser no later than April 15, 2016, failing which the offer shall be terminated and we shall return your deposit.

If the foregoing is satisfactory, would you kindly acknowledge the same by signing the duplicate copy of this letter at which point this shall become a binding agreement.

Yours very truly,

DANIER LEATHER INC.

By 


Name: Brent Houlton

Title: Chief Financial Officer

Accepted and agreed.

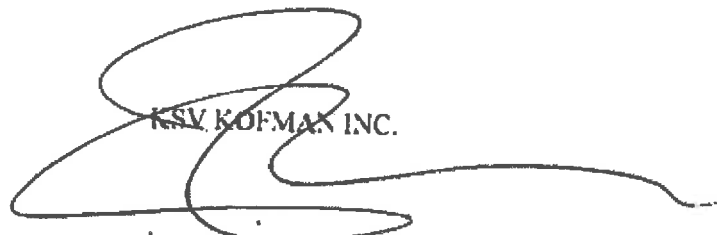
Dated March 2nd, 2016.

MICHAEL KORS (CANADA)
HOLDINGS LTD.

by 
Name: Michael Kors
Title: President

Acknowledged and agreed.

Dated Mar 31/16, 2016.


KSV KOFMAN INC.
by
Name: Robert D. Kofman
Title: President

cc Holmested & Associés s.e.n.c.r.l. (by email)
1010, rue de la Gauchetière ouest, Suite 1230
Montreal, QC H3B 2N2
Attention: David Holmested/Isabelle Simard;
davidh@holmested.ca / isabelles@holmested.ca

KSV Kofman Inc. (by email)
Attention: Robert Kofman/Noah Goldstein

April 14, 2016

Danier Leather Inc.
2650 St. Clair Avenue West
Toronto ON M6N 1M2

Attention: Mr. Brent Houlden
Chief Financial Officer

Dear Mr. Houlden,

We refer you to our Offer to Purchase certain assets of Danier Leather Inc. dated February 22, 2016 and your acceptance thereof dated March 1, 2016, and in particular Section 2 of your said acceptance.

We confirm that both you and the undersigned have agreed to amend the said Section 2 so that it will now read as follows:

“2. The condition set forth in Section 4.1(e) relating to the Landlord Consent shall have been satisfied or waived by the Purchaser no later than April 22, 2016, failing which the offer shall be terminated and we shall return your deposit.”

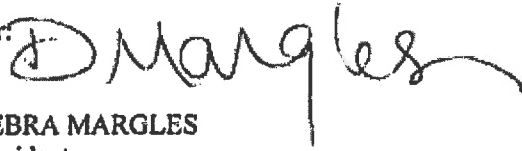
This letter may be executed by counterparts and/or by facsimile or electronic transmission, and if so executed, each document shall be deemed to be an original.

Please confirm your acceptance of this amendment by signing the duplicate copy of this letter.

Yours very truly,

MICHAEL KORS (CANADA)
HOLDINGS LTD.

Per:



DEBRA MARGLES
President



Accepted and agreed
this 14th day of April, 2016.

DANIER LEATHER INC.

Per:

Brent Houlden
Chief Financial Officer

Acknowledged and agreed
this 14th day of April, 2016.

KSV KOFMAN INC.

*in its capacity as court-appointed receiver
of Danier Leather Inc. and not in its
personal or corporate capacity*

Per:

duly authorized as he/she so declares

per. Robert Kofman, President

SCHEDULE "B"

Heating, venting and air conditioning systems.

Fire safety systems and equipment.

All existing ceiling lighting.

All interior and exterior doors.

All racks.

All mechanical switches.

All security cameras.

Appendix “D”



**Third Report to Court of
KSV Kofman Inc. as Proposal
Trustee of Danier Leather Inc.**

March 3, 2016

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ESTATE FILE NO.: 31-CL-2084381
COURT FILE NO.: 31-CL-2084381

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
DANIER LEATHER INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE
PROVINCE OF ONTARIO, WITH A HEAD OFFICE IN THE CITY OF TORONTO,
IN THE PROVINCE OF ONTARIO

THIRD REPORT OF KSV KOFMAN INC. AS PROPOSAL TRUSTEE OF
DANIER LEATHER INC.

MARCH 3, 2016

1.0 Introduction

1. This report ("Report") is filed by KSV Kofman Inc. ("KSV") in its capacity as proposal trustee ("Proposal Trustee") in connection with a Notice of Intention to Make a Proposal ("NOI") filed by Danier Leather Inc. (the "Company") on February 4, 2016 ("Filing Date") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended ("BIA").
2. The principal purpose of these restructuring proceedings is to create a stabilized environment to enable the Company to complete a sale and investor solicitation process ("SISP") in order to effect one or more transactions resulting therefrom. The Company is conducting the SISP with the assistance of its financial advisor, Consensus Advisory Services LLC and Consensus Securities LLC (collectively, the "Financial Advisor"), and the Proposal Trustee.
3. This Report should be read in conjunction with the affidavit of Brent Houlden, the Chief Financial Officer of the Company, sworn March 2, 2016 in support of this motion (the "Affidavit").

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about the Company;
 - b) summarize the results of the Court-approved SISP;
 - c) summarize a transaction (“Transaction”) between the Company and a contractual joint venture comprised of Merchant Retail Solutions, ULC and Gordon Brothers Canada ULC (jointly, the “Agent”), whereby the Agent will sell substantially all of the Company’s inventory (the “Merchandise”) and the Company’s furniture, fixtures and equipment located at the Company’s store locations (the “FF&E”), pursuant to an agency agreement dated March 1, 2016 (the “Agency Agreement”);
 - d) discuss the rationale for a charge on certain of the Company’s assets in order to secure all amounts owing to the Agent under the Agency Agreement (the “Agent’s Charge”);
 - e) discuss the rationale for sealing the Offer Summary, as defined in Section 3.4 below; and
 - f) recommend that the Court make an order, *inter alia*:
 - approving the Agency Agreement and the Transaction;
 - authorizing and directing the Company to execute such documents and to take such additional steps as are necessary to implement the Agency Agreement and the Transaction;
 - approving the Agent’s Charge; and
 - sealing the confidential appendix.

1.2 Currency

1. Unless otherwise noted, all currency references in this Report are to Canadian dollars.

1.3 Restrictions

1. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Company's representatives, the Company's books and records and discussions with its representatives. The Proposal Trustee has not performed an audit or other verification of such information. An examination of the Company's financial forecasts as outlined in the *Canadian Institute of Chartered Accountants Handbook* has not been performed. Future oriented financial information relied upon in this Report is based on the Company's representatives' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material.

2.0 Background

1. The Company was founded in 1972. It is Canada's largest retailer of leather apparel and accessories. The subordinated voting shares of the Company are listed on the Toronto Stock Exchange (the "TSX") and, until the Filing Date, traded under the symbol "DL". On the Filing Date, the Investment Industry Regulatory Organization of Canada issued a cease trade order in respect of the shares. The TSX has advised the Company that its shares will be delisted effective March 17, 2016.
2. The Company leases its Toronto based head office (the "St. Clair Facility"). The St. Clair Facility also serves as the Company's manufacturing, warehouse and distribution center. The Company also leases a distribution facility in Toronto, as well as two offices in China. The Company contracts production from vendors located in China, India and Pakistan.
3. The Company's merchandise is predominantly marketed under the "Danier" brand name and is currently sold in 81 leased stores across Canada, as well as online through the Company's website: www.danier.com.
4. As at the date of this Report, the Company employs 1,009 individuals, including 811 store-level employees, 105 employees in manufacturing and distribution, 74 employees in its head office and administration and 19 employees in China. The Company's workforce is not unionized and the Company does not maintain a pension plan.
5. Prior to the commencement of the NOI proceedings, the Company entered into an agency agreement ("Stalking Horse Agreement") with GA Retail Canada, ULC, or an affiliate thereof (the "Stalking Horse"). Pursuant to an Order made on February 8, 2016 (the "SISP Order") the Court, *inter alia*: (i) approved the SISP; and (ii) approved and accepted the form of the Stalking Horse Agreement for purposes of being the stalking horse under the SISP.
6. Pursuant to the SISP Order, any transaction for the Company's business and assets was subject to further Order of the Court. A copy of the SISP Order and the Endorsement of the Honourable Justice Penny is attached as Appendix "A".

7. On March 2, 2016, the Court made an Order extending the time for the Company to file a proposal with the Official Receiver from March 6, 2016 to March 23, 2016.
8. Additional information about the Company and its background is available in the materials filed in these proceedings, which can be found on the Proposal Trustee's website at: <http://www.ksvadvisory.com/insolvency-cases-2/danier-leather-inc/>.

3.0 SISP

3.1 2015 Solicitation Process

1. In February, 2015, the Financial Advisor commenced a seven month marketing process to solicit offers from parties to acquire, or invest in, the Company (the "2015 Solicitation Process"). The Company did not receive any acceptable offers during the 2015 Solicitation Process. Additional details regarding the 2015 Solicitation Process are provided in the Proposal Trustee's First Report to Court dated February 5, 2016 (the "First Report"), a copy of which is attached as Appendix "B", without appendices.

3.2 Stalking Horse Process

1. The SISP is comprised of two phases: the pre-filing phase which solicited offers from parties to be a stalking horse (the "Stalking Horse Process"), and the second phase, which sought offers for the business and assets superior to the Stalking Horse Agreement and/or for other assets of the Company ("Second Phase").
2. The following is a summary of the Stalking Horse Process:
 - a) the Company re-engaged the Financial Advisor on December, 31, 2015 with a mandate to conduct the SISP. The Company also engaged OCI Inc. ("OCI") on January 11, 2016, an overseas-based investment banker, to market the Company and its business in China, India, Qatar and the United Arab Emirates;
 - b) in the days leading up to the re-engagement of the Financial Advisor, and immediately thereafter, the Company and/or the Financial Advisor contacted 22 parties, including 19 parties that were contacted as part of the 2015 Solicitation Process, to determine whether those parties had an interest in being a stalking horse. The Financial Advisor advised the 13 most interested parties that the deadline to submit offers to act as the stalking horse was January 22, 2016 ("Stalking Horse Deadline");
 - c) all of the interested parties conducted due diligence and were provided access to a data room and a confidential teaser summarizing the opportunity;
 - d) three parties submitted offers prior to the Stalking Horse Deadline;

- e) the Company selected the Stalking Horse Agreement as the best bid submitted in the Stalking Horse Process; and
 - f) on February 8, 2016, the Court approved and accepted the Stalking Horse Agreement for purposes of acting as the stalking horse bidder in the SISP.
3. Additional details regarding the Stalking Horse Process are provided in the First Report.

3.3 Second Phase

1. Pursuant to the terms of the SISP, the Second Phase of the marketing process commenced immediately following the making of the SISP Order. A summary of the Second Phase is as follows:
- a) the Financial Advisor prepared a new teaser detailing the opportunity;
 - b) the Financial Advisor distributed the teaser to approximately 405 parties, including parties identified in the 2015 Solicitation Process, the Stalking Horse Process and by the Company;
 - c) OCI contacted 26 overseas parties;
 - d) interested parties had the opportunity to make offers to: (i) acquire all or a portion of the Company's business and/or assets; (ii) make an investment in the Company; or (iii) liquidate some or all of the Company's assets, provided however, that no liquidation bids would be considered for a portion of the Company's inventory;
 - e) 35 parties signed a confidentiality agreement ("CA"), including 18 that had signed a CA during the Stalking Horse Process. Parties who signed a CA were provided access to an online data room;
 - f) the data room was populated with information concerning the Company, including detailed inventory, operations and financial reports. The Company updated the data throughout the SISP;
 - g) the Financial Advisor and the Company facilitated diligence requests from interested parties throughout the Second Phase; and
 - h) pursuant to the terms of the SISP ("SISP Procedures"), interested parties were required to submit offers to the Financial Advisor by 5:00 p.m. EST on February 22, 2016 (the "Offer Deadline").

3.4 Second Phase SISP Results¹

1. Nine offers were submitted prior to the Offer Deadline. An offer summary is provided in Confidential Appendix “1” (“Offer Summary”). The rationale for seeking the sealing order is provided in Section 3.7 below.
2. Pursuant to the terms of the SISP, the Company received:
 - a) two Qualified Liquidation Bids for the Merchandise and FF&E (in addition to the Stalking Horse Agreement, which pursuant to the SISP Procedures is a Qualified Bid); and
 - b) seven offers for certain of the Company’s assets, which are primarily for certain of the Company’s real property leases (collectively, the “Sale Bids”).
3. Pursuant to the terms of the SISP, if the Company received more than one Qualified Liquidation Bid, the Company could:
 - a) accept one or more Qualified Liquidation Bids, subject to Court approval (the “Successful Bid”);
 - b) conditionally accept one or more Qualified Liquidation Bids (each, a “Back-Up Bid”); and
 - c) conduct an auction in accordance with the SISP Procedures (“Auction”).
4. Based on the offers received, the Company, in consultation with the Proposal Trustee and the Financial Advisor, determined that it would be in the best interests of the Company and its stakeholders to conduct an Auction for the Merchandise and FF&E. Accordingly, an Auction was conducted on February 29, 2016 at 9:30 a.m. EST at the offices of Davies Ward Phillips & Vineberg LLP (“Davies”), the Company’s counsel.

3.5 Auction

1. Pursuant to the SISP Procedures, the Proposal Trustee chaired the Auction.
2. Each of the three Qualified Liquidation Bidders participated in the Auction, being the Agent, the Stalking Horse and Tiger Capital Group, LLC (“Tiger”)/Yellen Partners, LLC (jointly, “Tiger/Yellen”).
3. The Qualified Liquidation Bid submitted by Tiger/Yellen was determined to be the best offer received by the Offer Deadline, and was therefore the Opening Bid at the Auction. A copy of the Opening Bid was distributed on February 25, 2016 to each of the Qualified Liquidation Bidders.

¹ Capitalized terms in this section and section 3.5 have the meaning provided to them in the SISP unless otherwise defined herein.

4. At the outset of the Auction, the Proposal Trustee summarized the rules of the Auction and provided copies of the rules to all of the Qualified Liquidation Bidders.
5. Bidding at the Auction was conducted in rounds. In each round, the Minimum Overbid Increment was 0.2% of the Guaranty Percentage.² Any bidder that failed to submit an Overbid in a round was not permitted to continue in the Auction.
6. The Auction concluded in the 28th round of bidding. Each of the Qualified Liquidation Bidders submitted bids for the first 22 rounds of the Auction. In round 23, the Stalking Horse declined to bid and therefore was prohibited from continuing in the Auction. In round 28, Tiger/Yellen declined to bid. Accordingly the Agent's final offer was declared the Successful Bidder and Tiger/Yellen's offer in the 27th round was selected as the Back-Up Bid.
7. On March 1, 2016, the Company's Board of Directors approved the Successful Bid and the Back-Up Bid.

3.6 The Successful Bid³

1. The key terms and conditions of the Transaction include the following:
 - a) Agent: A contractual joint venture comprised of Merchant Retail Solutions, ULC and Gordon Brothers Canada, ULC;
 - b) Guaranteed Amount: 119.7% of the aggregate Cost Value of the Merchandise, subject to adjustment if:
 - the aggregate Cost Value of the Merchandise is less than \$21 million or greater than \$23.5 million;
 - the Cost Value of the Merchandise as a percentage of the retail price of the Merchandise exceeds 48.8%;
 - the transaction does not close by March 3, 2016 - in such case, the Guaranty Percentage will decrease 0.1% for each day until the Sale Commencement Date, which must commence by March 10, 2016; and
 - the mix of the Cost Value of Merchandise for season codes '2016 Key Items', '2016 Spring' and '2016 Repeat Season' as a percentage of total cost value of Merchandise is less than 40%;

² In round 15, the Stalking Horse did not submit a bid that increased the Guaranty Percentage by 0.2%, but instead, offered \$250,000 for the FF&E. The Proposal Trustee, in consultation with the Company and the Financial Advisor, determined that the Stalking Horse's bid was an Overbid as it provided the Company with more certainty on FF&E realizations versus the structure under the Stalking Horse Agreement (based on a percentage of recoveries). None of the participants at the Auction objected and all bidders incorporated this requirement in their future bids.

³ Capitalized terms in this section have the meaning provided to them in the Agency Agreement unless otherwise defined herein.

- c) Merchandise: includes all inventory at the Company's stores and inventory to be received during the course of the sale, other than, *inter alia*, Merchandise currently being liquidated at five of the Company's stores by Tiger and consignment inventory. Merchandise received 21 days after the Sale Commencement Date will be valued at the prevailing discount being offered at that time. The Company is restricted from placing new purchase orders for Merchandise after February 29, 2016;
- d) Expenses: the Agent will be responsible for Expenses in conducting the sale, including store-level operating expenses, as well as certain head office costs to a maximum of \$10,000 per week. The Expenses for which the Agent is responsible are set out in Section Four of the Agency Agreement;
- e) Commission: after payment to the Agent of the Guaranteed Amount and the Expenses, the Agent is to be paid the next 10% of the aggregate Cost Value of Merchandise;
- f) Sharing: any additional proceeds from the sale after the payment of the commission are to be split on a 50/50 basis between the Company and the Agent;
- g) Letter of Credit: the Agent is required to pay 85% of the Guaranteed Amount on the business day following the issuance of the Approval Order by the Court. The Letter of Credit is to cover the Agent's obligation to fund the balance of the Guaranteed Amount. Upon payment of the balance of the Guaranteed Amount, the Letter of Credit is to be reduced to an estimate of one week's Expenses;
- h) Timing: the sale is to commence no later than March 10, 2016 and to end no later than June 30, 2016;
- i) FF&E: the Agent will have the right to sell the FF&E located in the Closing Stores and to retain the proceeds from the sale of such Owned FF&E upon payment to the Company of \$250,000. The Company has the right to remove FF&E at any store location provided there is a pro rata reduction to the \$250,000 to be paid by the Agent for the FF&E (\$3,290 per location);
- j) Termination: the Agency Agreement may be terminated if: (i) the Approval Order is not obtained by March 9, 2016, or such later date as the Company and the Agent agree; or (ii) there is an Event of Default;
- k) Sign Costs Obligations: pursuant to the terms of the Stalking Horse Agreement, and as approved by the Court in the SISF Order, the Agent must reimburse the Stalking Horse for the costs and expenses incurred by the Stalking Horse for the signage and advertising in connection with the sale to a maximum of \$175,000. In exchange, the Stalking Horse agreed to provide the signage and other promotional materials to the Agent.
- l) Conditions: the only material condition precedent to the transaction is entry of the Approval Order, which must include the Agent's Charge;

- m) Sales Guidelines: the Sale Guidelines are attached as Exhibit 8.1 to the Agency Agreement. The Sale Guidelines provide:
- the Sale will be conducted in accordance with the terms of the applicable leases or other occupancy agreements, except as provided for in any Court Order or any written agreement between the Company and a landlord;
 - the Sale shall be conducted so that each of the stores remain open during their normal hours of operation provided in their respective leases;
 - the Sale shall end by no later than June 30, 2016;
 - all display and hanging signs used by the Agent 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", or a "liquidation" sale;
 - at the conclusion of the Sale in each store, the Agent and the Company shall leave the premises in a "broom-swept" and clean condition, and shall arrange that the stores are in the same condition on exit as on the commencement of the Sale, ordinary wear and tear excepted;
 - the Agent shall be entitled to include in the Sale the Additional Merchandise, subject to certain limitations; and
 - the Company and the Agent shall not conduct any auctions of Merchandise or FF&E at any of the stores.
- n) Agent's Charge: The Agent's Charge is to be a first ranking Court-ordered charge in favour of the Agent on all Merchandise, the Additional Merchandise, the Proceeds, the FF&E Proceeds and the Agent's share of the proceeds from the sale of Merchant Consignment Goods in order to secure all amounts owing to the Agent under the Agency Agreement. The Agent's Charge is to rank in priority to all of the Company's existing registered security interests and any charges approved or to be approved by the Court in this proceeding, provided that the Agent's Charge shall be subordinated to all encumbrances to the extent of any unpaid entitlements due to the Company under the Agency Agreement.
- o) Other:
- The Agency Agreement is consistent with standard insolvency transactions, i.e. to be completed on an "as is, where is" basis, without any material representations or warranties. All sales of Merchandise are to be on the same terms;

- To the extent that Merchandise remains at the end of the sale, the Company will transfer such inventory to the Agent free and clear of all encumbrances; and
 - The Agent is required to give the Company seven days' notice of its intention to discontinue its use of a store location.
2. Pursuant to the SISP Order, if the Stalking Horse is not the Successful Bidder, the Court authorized and directed the Company to pay the Stalking Horse a break fee of \$250,000 and to reimburse the costs and expenses of the Stalking Horse to a maximum of \$100,000.
 3. A copy of the Agency Agreement is attached as Appendix "C".

3.7 Confidential Appendix

1. The Proposal Trustee supports the sealing of the Offer Summary since, as discussed in Section 3.10 below, the Company continues to negotiate with interested parties that submitted Sale Bids. In certain cases, the assets sought by prospective purchasers overlap. The release of the Offer Summary could negatively impact realizations.
2. The Proposal Trustee is not aware of any party that will be prejudiced if the Offer Summary is sealed. Accordingly, the Proposal Trustee believes the proposed Sealing Order is appropriate in the circumstances.

3.8 The Back-Up Bid

1. The terms of the Back-Up Bid are to be the same as those of the Successful Bid, except that Tiger/Yellen has guaranteed that the Company will receive a guaranteed payment of 119.5% of the aggregate cost value of the Merchandise as compared to 119.7% in the Successful Bid. The Company is not seeking Court-approval of the Back-Up Bid at this time, nor has a Back-up agreement been executed as of the date of this Report. Pursuant to the SISP Procedures, the Back-Up Bid is to remain open for acceptance by the Company until 5:00 pm EST on March 14, 2016.

3.9 Proposal Trustee's Recommendation

1. Section 65.13(4) of the BIA sets out factors that the Court is to consider in determining whether to authorize the sale of a company's assets outside of the normal course where an NOI has been filed. The applicable factors, and the Proposal Trustee's comments thereon, are as follows:
 - a) *Whether the process leading to the proposed sale or disposition was reasonable in the circumstances*
 - In the Proposal Trustee's view, the SISP was commercially reasonable and was carried out in accordance with the SISP Order;

- in the Proposal Trustee's view, the duration of the SISP was sufficient to allow interested parties to perform diligence, submit offers and maximize recoveries. The Proposal Trustee does not believe that continuing the SISP would yield a superior result. Many of the parties that were contacted by the Financial Advisor were familiar with this opportunity given their participation in the 2015 Solicitation Process and in the Stalking Horse Process. In addition, given the seasonality of the Company's business – the Fall and Winter seasons are the Company's strongest – the realizable value of the Company's inventory will depreciate significantly in the near term. The Company's projected losses are forecasted to be \$5.3 million during March, April and May, 2016. These losses would erode recoveries and are expected to continue after May, 2016;
 - there was significant interest in the SISP, which culminated in a competitive auction among three of the largest and most well-known professional liquidators; and
 - the auction resulted in a transaction with a value that far exceeded the Stalking Horse Agreement.
- b) *Whether the trustee approved the process leading to the proposed sale or disposition*
- The Proposal Trustee assisted the Company to develop the SISP. The First Report includes a recommendation from the Trustee that the Court issue an Order approving the SISP.
- c) *Whether the Trustee filed with the Court a report stating that in their opinion the sale or disposition would be more beneficial to the creditors than a sale or disposition under a bankruptcy*
- The Proposal Trustee is of the view that the Transaction would be more beneficial to the Company's creditors than a sale under a bankruptcy.
- d) *The extent to which the creditors were consulted*
- The Company has provided notice to all parties on the service list, including landlords and secured creditors;
 - all known creditors received notice of these proceedings through the statutory mailing to creditors;
 - creditors also had knowledge of these proceedings based on media attention due to the Company's high profile and its press releases as a public company; and

- the Company has had a dialogue with legal counsel for certain of the Company's major landlords, including feedback from them on the Sale Guidelines.
- e) *The effects of the proposed sale or disposition on the creditors and other interested parties*
- In the Trustee's view, the Agency Agreement represents the best possible transaction for the Company in the circumstances and maximizes recoveries. If the Transaction is not approved and the SISP were to continue, the projected losses over the next three months (and thereafter) would reduce the amounts available for distribution;
 - the Transaction provides certainty for the Company's stakeholders, including the landlords, as to, *inter alia*, the duration of the liquidation process; and
 - the Transaction is limited to the Merchandise and FF&E. The Company has received expressions of interest for intellectual property and other assets. The Company is continuing to explore transactions for these assets.
- f) *Whether the consideration to be received for the assets is reasonable and fair, taking into account their market value*
- The Company, through the Financial Advisor and OCI, extensively canvassed the market and the Agency Agreement represents the highest and best bid submitted. The Guaranty Percentage (as defined in the Agency Agreement) represents an increase of approximately 27% over the Guaranty Percentage in the Stalking Horse Agreement; and
 - the Proposal Trustee, in consultation with the Company and the Financial Advisor, determined that the Transaction maximizes value for the Merchandise and the FF&E, while providing the flexibility to explore transactions for other assets.
2. Based on the foregoing, the Proposal Trustee recommends the Court make an Order approving the Agency Agreement and the Transaction and granting the Agent's Charge.

3.10 Sale Bids

1. Sale Bids were received for certain of the Company's real property leases, certain raw material inventory and the Company's intellectual property, subject to some overlap among the bids. All of the Sale Bids for the Company's real property leases are conditional and require negotiation with the applicable landlords and consultation with the Agent. The Company and the Financial Advisor, with the assistance of the Proposal Trustee, are negotiating certain of the Sale Bids. They are also working to identify other transactions that will preserve some or all of the Company's business, including a number of locations and the "Danier" brand.

4.0 Conclusion and Recommendation

1. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1(f) of this Report.

* * *

All of which is respectfully submitted,



**KSV KOFMAN INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
DANIER LEATHER INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “E”

DANIER

Thursday, March 1, 2016

BY EMAIL: debra.margles@michaelkors.com

Michael Kors (Canada) Holdings Limited
3424 Rue Simpson
Montreal, QC H3G 2J3

Attention: Debra Margles

Dear Ms Margles:

We acknowledge receipt of your offer dated February 22, 2016 to purchase the lease in favour of Danier Leather Inc. (the "Vendor") for the premises leased to Danier by the Halton Hills Shopping Centre Partnership in the Toronto Premium Outlets Mall at Halton Hills, Ontario.

The Vendor is prepared to accept your offer subject to the following changes:

1. The Closing Date shall be a date which is the later of:
 - (i) the third Business Day following the issuance by the Court of the Approval and Vesting Order; and
 - (ii) five Business Days following notice by the Vendor to the Purchaser that the liquidation of inventory at the leased premises is complete,

provided, however, that in no event shall the Closing Date be before April 30, 2016 or later than June 30, 2016

2. The condition set forth in Section 4.1(e) relating to the Landlord Consent shall have been satisfied or waived by the Purchaser no later than April 15, 2016, failing which the offer shall be terminated and we shall return your deposit.

If the foregoing is satisfactory, would you kindly acknowledge the same by signing the duplicate copy of this letter at which point this shall become a binding agreement.

Yours very truly,

DANIER LEATHER INC.


By


Name: Brent Doulton
Title: Chief Financial Officer

Accepted and agreed.

Dated March 2nd, 2016.

MICHAEL KORS (CANADA)
HOLDINGS LTD.

by 
Name: David Perreault
Title: PRESIDENT

Acknowledged and agreed.

Dated mar 31/16, 2016.


KSV KOFMAN INC.

by _____
Name: Robert D. Kofman
Title: President

cc Holmested & Associés s.e.n.c.r.l. (by email)
1010, rue de la Gauchetière ouest, Suite 1230
Montreal, QC H3B 2N2
Attention: David Holmested/Isabelle Simard
davidh@holmsted.ca / isabelles@holmsted.ca

KSV Kofman Inc. (by email)
Attention: Robert Kofman/Noah Goldstein