

Court File Nos. 31-2205066 / 31-2205065

FIRST REPORT OF RICHTER ADVISORY GROUP INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICES OF INTENTION TO MAKE A PROPOSAL OF
MRP RETAIL INC. AND MRP FAMILY RETAIL INC.

FEBRUARY 2, 2017

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF
MRP RETAIL INC. & MRP FAMILY RETAIL INC.

FIRST REPORT OF RICHTER ADVISORY GROUP INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICES OF INTENTION TO MAKE A PROPOSAL OF
MRP RETAIL INC. & MRP FAMILY RETAIL INC.

FEBRUARY 2, 2017

INTRODUCTION

1. This report (the "**First Report**") is filed by Richter Advisory Group Inc. ("**Richter**"), in its capacity as proposal trustee ("**Proposal Trustee**") in connection with the Notices of Intention to Make a Proposal ("**NOIs**") filed by MRP Retail Inc. ("**MRPR**") and MRP Family Retail Inc. ("**MRPFR**", and together with MRPR, the "**Companies**").
2. On January 9, 2017 (the "**Filing Date**"), the Companies each filed an NOI pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B.-3, as amended (the "**BIA**") and Richter was appointed as Proposal Trustee under each NOI. A copy of the Certificates of Filing issued by the Superintendent of Bankruptcy for each of the Companies is attached hereto as **Appendix "A"**.
3. The purpose of this First Report is to advise this Honourable Court on the following:
 - (i) background information about the Companies;
 - (ii) the Companies' creditors;
 - (iii) the Companies' activities and those of the Proposal Trustee since the Filing Date;

- (iv) the Companies' proposed post-filing strategy, including information on the Sale Process (as hereinafter defined) undertaken by the Companies;
- (v) the Companies' reported receipts and disbursements for the period from January 9, 2017 to January 28, 2017, including a comparison of reported to forecast results;
- (vi) the Companies' consolidated revised cash flow forecast for the period from January 29, 2017 to March 25, 2017;
- (vii) the Companies' request for an extension of the time required to file their proposals (the "**Extension**") to March 25, 2017;
- (viii) the Companies' request for an order approving the administrative consolidation of the Companies proposal proceedings; and
- (ix) The Proposal Trustee's conclusions and recommendations.

TERMS OF REFERENCE

4. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.
5. In preparing this First Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Companies' representatives, the Companies' books and records, and discussions with the Companies' representatives and the Companies' legal counsel. The Proposal Trustee has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information. Future oriented financial information relied upon in this First Report is based on the Companies' representative's assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Proposal Trustee also references its report on the cash flow forecast and underlying assumptions and notes that its review and commentary thereon was performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practices No. 99-5 (Trustee's Report on Cash Flow Statement).

GENERAL BACKGROUND INFORMATION ON THE COMPANIES

6. The Companies (including their corporate predecessors, as discussed further below) have operated the "Jean Machine" chain of retail clothing stores since 1976. As at the Filing Date, Jean Machine operated thirty three (33) stores across Ontario. All of the Companies' retail store locations are leased.
7. The Companies' head office, warehouse and distribution centre, which is leased from a related party, is located at 135 Sparks Avenue, Toronto, Ontario, where the Companies receive, store and ship inventory to their various store locations.
8. As of January 21, 2017, the Companies had approximately 252 employees of which approximately 124 were full time employees and 128 were part time employees. The Companies' employees are not represented by a union and are not subject to a collective bargaining agreement.
9. The Companies' business, affairs, financial performance and position, as well as the causes of its insolvency, are detailed in the affidavit of Roy Perlman sworn February 1, 2017 (the "**Perlman Affidavit**") and are, therefore, not repeated herein. The Proposal Trustee has reviewed the Perlman Affidavit and discussed the business and affairs of the Companies with senior management personnel of the Companies and is of the view that the Perlman Affidavit provides a fair summary thereof.

THE COMPANIES' CORPORATE STRUCTURE

10. Although MRPR and MRPFR are distinct legal entities, they both operate Jean Machine retail stores (as at the Filing Date, MRPR operated thirty (30) stores and MRPFR operated three (3) stores). Similarly, the Companies share common management and back-office support, occupy common head office space, utilize a shared warehouse and distribution centre and are both liable for amounts owing under the credit facilities with CIBC (as hereinafter defined).

MRP Retail Inc.

11. MRPR is an Ontario corporation formed on May 1, 2015 through the amalgamation of MRP Retail Inc. and First Avenue Media Inc. There had been two (2) prior rounds of amalgamation on May 1, 2007 and May 1, 1999. Copies of (i) a corporation profile report for MRPR obtained from the

Ontario Ministry of Government Services (the “**Ministry**”) are attached as **Exhibit “A”** to the Perlman Affidavit.

MRP Family Retail Inc.

12. MRPFR is an Ontario corporation formed on May 1, 1999 through the amalgamation of 520420 Ontario Inc. and M & R Perlman Inc. Copies of (i) a corporation profile report for MRPFR obtained from the Ministry are attached as **Exhibit “B”** to the Perlman Affidavit.

FINANCIAL RESULTS

13. Summarized below are the combined (unaudited) historical financial results of the Companies for the fiscal years ended April 30, 2014 – 2016 as well as for the seven (7) months ended November 30, 2016.

The Companies' Historical Financial Results				7 Months Ended
(in 000s)	FY Apr 30, 2014	FY Apr 30, 2015	FY Apr 30, 2016	November 30, 2016
Net Sales	29,713	28,511	28,342	14,885
Cost of Sales	13,095	12,983	13,285	7,344
Gross Profit	16,618	15,528	15,057	7,541
General and Admin Expenses	15,773	17,040	16,473	9,137
EBITDA	845	(1,512)	(1,416)	(1,596)
Source: Management's internal books and records				

14. As a result of the Companies' continuing losses, the Companies have been dependent on capital injections from the Companies' shareholders to fund operations. In late 2016, it was determined that the Companies could not continue to operate without significant capital injections and the Companies' management determined it prudent to consider various strategic options, including the potential sale of the business (discussed further below).

CREDITORS

15. The Proposal Trustee understands that the Canadian Imperial Bank of Commerce (“**CIBC**”) is a secured creditor of MRPR, owed approximately \$1.7 million, as at February 1, 2017, pursuant to a loan agreement dated September 16, 2015 (as amended, supplemented, restated or replaced from time to time, the “**Loan Agreement**”). MRPFR (as well as M. Perlman Enterprises Inc. (“**MPE**”) and R. Perlman Enterprises Inc. (“**RPE**”)) have guaranteed the amounts owed to CIBC by MRPR.

16. Due to the filing of the Companies' NOIs, the Companies breached certain covenants under the Loan Agreement with CIBC. The Proposal Trustee understands that prior to the filing of the Companies' NOIs, CIBC demanded repayment and delivered notices pursuant to section 244 of the BIA to the Companies. On January 10, 2017, the Companies and CIBC agreed on the terms of a forbearance agreement, pursuant to which CIBC agreed to forbear, subject to certain terms and conditions, from taking steps to proceed with enforcement of its security held in support of its loans to the Companies, and to continue to permit the Companies access to its existing credit facilities in accordance with the Loan Agreement.
17. In addition to CIBC, the Proposal Trustee understands that MPE and RPE are also secured creditors of the Companies (MRPR only) owed approximately \$4.5 million (MPE approximately \$2.1 million and RPE approximately \$2.4 million), pursuant to various secured promissory notes.
18. Pursuant to various intercreditor agreements between CIBC, MPE and RPE, all amounts advanced by MPE and RPE are subordinate to the amounts owed by the Companies to CIBC.
19. In addition to CIBC, MPE and RPE, the Proposal Trustee is aware of other registrations against the Companies made pursuant to the *Personal Property Security Act* (Ontario) in favour of Xerox Canada Ltd. in respect of certain office equipment, as well as both Sony BMG Music Canada Inc. and Entertainment One Limited Partnership in respect of security for historic debts of a related business (Sunrise Records) previously operated by the Companies, which obligations are no longer outstanding. Copies of certified searches of the Personal Property Security Registration System in respect of the Companies (with a currency date of December 27, 2016) are attached as **Exhibit "C"** to the Perlman Affidavit.
20. The Proposal Trustee has instructed its independent legal counsel, Cassels Brock & Blackwell LLP ("**Cassels**") to provide its opinion with respect to the validity and enforceability of the security granted by the Companies in favour of CIBC, MPE and RPE (the "**Security Opinion**"). Cassels is currently reviewing the relevant security documents for CIBC, MPE and RPE and expects to provide the Security Opinion to the Proposal Trustee shortly.
21. In addition to the amounts owed by the Companies to CIBC, MPE and RPE, the Companies estimate that they have accrued and unpaid obligations to unsecured creditors totalling approximately \$4.2 million (excluding intercompany and related party indebtedness).

THE COMPANY'S ACTIVITIES SINCE THE FILING DATE

22. The Companies' activities since the Filing Date have included, *inter alia*, the following:
- (i) advising the Companies' stakeholders, including employees, customers and key suppliers of the NOI filings;
 - (ii) working with the Proposal Trustee to prepare and subsequently update / revise the Companies' cash flow projection (as more fully described later in this First Report);
 - (iii) communicating with suppliers / service providers to secure goods and services during the Companies' NOI proceedings and to address payment terms;
 - (iv) responding to calls and enquiries from creditors and other stakeholders regarding the Companies' NOI proceedings;
 - (v) consulting with a specialist in the analysis and evaluation of retail store leases;
 - (vi) communicating with the Proposal Trustee regarding the Companies' disclaimer of certain retail leases;
 - (vii) reporting receipts and disbursements;
 - (viii) making payments to suppliers for goods and services received subsequent to the Filing Date;
 - (ix) assisting the Proposal Trustee in carrying out the Sales Process (as hereinafter defined); and
 - (x) consulting with the Proposal Trustee on various matters in connection with the NOI proceedings.

THE PROPOSAL TRUSTEE'S ACTIVITIES SINCE THE FILING DATE

23. Since the Filing Date, the Proposal Trustee's activities have included, *inter alia*, the following:
- (i) assisting the Companies with the preparation and subsequently updating / revising the Companies' cash flow projections, including a review of the underlying assumptions and the filing of the statutory prescribed cash flows within the required ten (10) day period;
 - (ii) reviewing the Companies' financial position;
 - (iii) attending at the Companies' premises periodically to meet with management and employees with respect to the NOI proceedings;
 - (iv) implementing procedures for monitoring the Companies' receipts and disbursements and for the ongoing reporting of variances to the Companies' cash flow projections;
 - (v) establishing a website at <https://www.richter.ca/folder/insolvency-cases/m/mrp-retail-inc>, where all materials filed with the Official Receiver and the Court in connection with the Companies' NOI proceedings are available in electronic format;
 - (vi) issuing the prescribed notices to the Companies' creditors, as required under the BIA;
 - (vii) consulting with the Companies in connection with their disclaimer of certain retail store leases;
 - (viii) corresponding and communicating extensively with the Companies and their legal counsel, Aird & Berlis LLP, regarding the Companies' NOI proceedings;
 - (ix) corresponding and communicating with CIBC;
 - (x) responding to calls and enquiries from creditors, including employees, suppliers, and other stakeholders regarding the Companies' NOI proceedings;
 - (xi) communicating with interested parties regarding the Sales Process and responding to requests for additional information in connection with the Companies' business or assets;

(xii) negotiating the terms of a letter of intent with a Prospective Purchaser (as hereinafter defined); and

(xiii) preparing this First Report.

THE SALE PROCESS

24. In late September 2016, as a result of the Companies' deteriorating financial position, Richter was engaged by the Companies to provide consulting services and to assist the Companies in reviewing their operations and developing / assessing various strategic alternatives.
25. In late 2016, as a result of the Companies' continuing losses, the Companies' management determined it prudent to consider various strategic options, including the potential sale of the Companies or their assets.
26. In order to determine third parties' interest in acquiring and / or investing in the Companies' business or assets, Richter, in consultation with the Companies, developed a process to market the Companies assets to third parties (the "**Sale Process**"). Commencing in early December 2016, Richter, in consultation with the Companies, assembled and contacted a list of potential interested parties, which included both strategic and financial purchasers (collectively, the "**Potential Interested Parties**").
27. Potential Interested Parties were required to execute a confidentiality agreement ("**CA**") in order to receive additional information, including access to an electronic data room that contained financial and other information relevant to the Companies' business.
28. On January 27, 2017, following considerable discussions / negotiations, the Companies executed a letter of intent ("**LOI**") submitted by a prospective purchaser (the "**Prospective Purchaser**") that is conditional on, among other things, the Prospective Purchaser obtaining satisfactory rent concessions in respect of the Companies' leased retail store locations.
29. The LOI provides the Prospective Purchaser a limited exclusivity period (the "**Exclusivity Period**") to consult with certain of the landlords for the Companies' leased retail store locations to determine whether the required rent concessions can be obtained. Should the Prospective Purchaser be satisfied, in its sole discretion, that it will obtain the required rent concessions and waives said condition prior to the expiration of the Exclusivity Period, the Companies and the Prospective

Purchaser will work towards finalizing a definitive asset purchase agreement incorporating the principal terms of the transaction contemplated by the LOI.

CASH FLOW FORECAST

30. The Companies, with the assistance of the Proposal Trustee, prepared a consolidated forecast of its receipts and disbursements for the period January 9, 2017 to February 25, 2017 (the “**January 9 Cash Flow Forecast**”). The January 9 Cash Flow Forecast was filed with the Office of the Superintendent of Bankruptcy on January 19, 2017. A copy of the January 9 Cash Flow Forecast and associated reports for both the Proposal Trustee and the Companies are attached hereto as **Appendix “B”**.
31. A comparison of the Companies' budget to reported results for the 3-week period ending January 28, 2017, is summarized as follows:

Cash Flow Variance Analysis			
(\$000's)	Forecast Total	Reported Total	Variance
Cash Receipts	\$ 1,150	\$ 1,268	\$ 118
Disbursements			
Purchases	373	201	172
Payroll & Benefits	446	442	4
EHT/WSIB Payments	-	-	-
Rent	383	383	-
Interest and Charges	23	27	(4)
Net HST Payable (Receivable)	231	-	231
Professional Fees	75	8	67
Deposits	55	40	15
Other	113	156	(43)
Total Disbursements	\$ 1,699	\$ 1,258	\$ 441
Net Cash Flow	\$ (549)	\$ 9	\$ 558
Opening Bank Balance	\$ (1,386)	\$ (1,386)	\$ -
Closing Bank Balance	\$ (1,935)	\$ (1,376)	\$ 558

32. As reflected in the above summary table, the Companies reported positive cash flow and had an outstanding loan balance of approximately \$1.4 million as at January 28, 2017, which was approximately \$558,000 better than forecast.

33. The Proposal Trustee is of the view that the Companies are acting in a manner consistent with their cash flow projection and there have been no material adverse changes to the Companies' operations since the Filing Date.

THE COMPANIES' REQUEST FOR AN EXTENSION TO MARCH 25, 2017

34. The current stay of proceedings expires on February 8, 2017 (the "**Stay Period**"). The Companies' are seeking an extension of the Stay Period up to and including March 25, 2017.
35. As the January 9 Cash Flow Forecast only runs until February 25, 2017, the Companies, with the assistance of the Proposal Trustee, have prepared a revised consolidated forecast of its receipts, disbursements and financing requirements for the period January 29, 2017 to March 25, 2017 (the "**January 29 Cash Flow Forecast**"). A copy of the January 29 Cash Flow Forecast is attached hereto as **Appendix "C"** and is summarized below:

Cash Flow Forecast	
For the Period January 29, 2017 to March 25, 2017	
(\$000's)	
Gross Receipts	\$ 3,323
Disbursements	
Purchases	1,396
Payroll & Benefits	1,046
EHT/WSIB Payments	37
Rent	991
Interest and Charges	63
Net HST Payable (Receivable)	279
Professional Fees	275
Deposits	-
Other	353
Total Disbursements	\$ 4,439
Net Cash Flow	\$ (1,116)
Opening Bank Balance	\$ (1,376)
Closing Bank Balance	\$ (2,492)

36. The January 29 Cash Flow Forecast indicates that the Companies will have sufficient liquidity to fund both operating costs and the costs of these NOI proceedings during the extension of the Stay Period, if granted.

37. The Trustee supports the Companies' request for an Extension for the following reasons:
- (i) the Company is acting in good faith and with due diligence in taking steps to facilitate a sale or restructuring of its operations;
 - (ii) it is the Proposal Trustee's view that the Extension will not prejudice or adversely affect any group of creditors;
 - (iii) the Extension is necessary to provide the Company additional time to continue the Sales Process, potentially complete a going concern sale and consider the development of a proposal;
 - (iv) the Extension will preserve, in the interim the going concern value of the Companies;
 - (v) the January 29 Cash Flow Forecast indicates that the Companies will have sufficient liquidity to continue to fund operations during the period to March 25, 2017; and
 - (vi) if the Extension is not granted, the Company will not be in a position to continue the Sales Process and the ability to attract and negotiate a going concern sale would likely be negatively affected to the detriment of all stakeholders of the Company. Further, a wind-down and liquidation of the Companies would eliminate a significant number of jobs that may be preserved if a successful going concern sale or restructuring is effected.
38. While it is too early to say whether viable proposals will be presented by the Companies to their creditors, in the Proposal Trustee's view, the Companies' request for the Extension is appropriate in the circumstances, as the current extension more properly reflects the timeframe by which the Proposal Trustee will be able to provide this Court with a meaningful update on Sales Process, including the status of the LOI.

CONSOLIDATION ORDER

39. The Companies are seeking an order consolidating the administration of the NOI proceedings of each of MRPR and MRPFR into one estate for the purposes of filing materials and the Proposal Trustee reporting to the Court.

40. MRPR and MRPFR operate as one business entity under one banner, Jean Machine, with common management and a single back office that provides payroll, accounting and treasury functions. A consolidation order would avoid duplication of efforts in reporting and be more efficient and cost effective.
41. In addition, it is the Companies' belief (and that of the Proposal Trustee) that Potential Interested Parties would be interested in investing in and/or acquiring the assets of both Companies and, as such, the Jean Machine assets have been marketed together pursuant to the sales Process previously referred to herein.
42. For the above reasons, it is the Companies' belief that the procedural consolidation of the NOI proceedings will realize the greatest value for all interested parties and, as such, is appropriate in the circumstances.
43. The Proposal Trustee is supportive of the Companies' request for consolidation.

CONCLUSION AND RECOMMENDATION

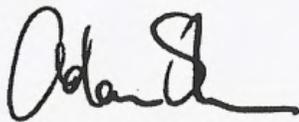
44. The Trustee is of the view that the relief requested by the Companies, including the Extension, is necessary, commercially reasonable and justified. The Trustee is also of the view that granting the relief requested will provide the Companies with the best opportunity to undertake a going concern sale or other restructuring thereby preserving value for the benefit of the Companies' stakeholders.

The Proposal Trustee respectfully submits to the Court this, its First Report.

Dated this 2nd day of February, 2017.

Richter Advisory Group Inc.
in its capacity as Proposal Trustee of
MRP Retail Inc. and MRP Family Retail Inc.

Per:



Adam Sherman, MBA, CIRP, LIT

APPENDIX "A"



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2205066
Estate No. 31-2205066

In the Matter of the Notice of Intention to make a
proposal of:

MRP Retail Inc
Insolvent Person

**RICHTER ADVISORY GROUP INC / RICHTER GROUPE
CONSEI**
Licensed Insolvency Trustee

Date of the Notice of Intention: January 09, 2017

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: January 09, 2017, 11:22

E-File/Dépôt Electronique

Official Receiver

25 St. Clair Avenue East, 6th floor, Toronto, Ontario, Canada, M4T1M2, (877)376-9902

Canada

APPENDIX “B”

In the Matter of the Notice of Intention to Make a Proposal of

MRP Retail Inc. / MRP Family Retail Inc.

Purpose:

MRP Retail Inc. / MRP Family Retail Inc. each filed a Notice of Intention to Make a Proposal on January 9, 2017. MRP Retail Inc. and MRP Family Retail Inc. carry on business under the Jean Machine banner and operate under the same management team as a single entity. As such, the Statement of Projected Cash Flow has been prepared on a consolidated basis for both MRP Retail Inc. and MRP Family Retail Inc. (together, the "Company").

The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of the Company, for the period January 9, 2017 to February 25, 2017, relating to the filing of a Notice of Intention to Make a Proposal on January 9, 2017.

This Statement of Projected Cash Flow has been prepared by management on January 19, 2017, based on available financial information at that date in accordance with Section 50.4(2) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period January 9, 2017 to February 25, 2017, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

- (a) Projected Cash Receipts
 - The projected cash receipts are estimated by management, based upon the experiences of the Company.

- (b) Projected Cash Disbursements
 - The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company.
 - The cash flow assumes inventory purchases sufficient to maintain a suitable level of inventory determined by management.
 - Remittances for source deductions and sales taxes are included in the disbursement assumptions.
 - Disbursements do not provide for the payment of pre-filing amounts owed to unsecured creditors.

- (c) General
 - The Company has made arrangements with its senior lenders to have access to its credit facilities through the forecast period.

MRP Retail Inc. / MRP Family Retail Inc.

Cash Flow Projection

(In \$000s CAD)

Week Ending	14-Jan-17	21-Jan-17	28-Jan-17	4-Feb-17	11-Feb-17	18-Feb-17	25-Feb-17	TOTAL
Cash Receipts	438	363	382	377	398	380	387	2,885
Disbursements								
Purchases	63	185	155	181	181	171	171	1,038
Payroll & benefits	175	141	130	134	148	124	120	977
EHT/WSIB Payments	-	-	-	19	-	-	-	19
Rent	383	-	-	503	-	-	-	886
Interest and Charges	8	1	17	12	1	1	17	52
Net HST Payable (Receivable)	-	-	231	-	-	-	24	255
Professional fees	-	75	-	75	-	50	-	200
Deposits	30	25	-	-	-	-	-	55
Other	25	44	44	44	44	44	44	290
	681	441	578	948	383	391	377	3,788
Net Cash Flow	(245)	(78)	(224)	(871)	42	(11)	10	(1,077)

The projected statement of cash flow has been prepared pursuant to the requirements of Section 80.4(2) of the *Bankruptcy and Insolvency Act* and solely for that purpose.

Dated at Toronto, Ontario, this 19th day of January, 2017



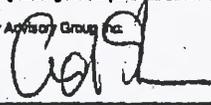
MRP Retail Inc.
MRP Family Retail Inc.

Malcolm Periman
Name of Signing Officer

President
Title of Signing Officer

This projected statement of cash flow of MRP Retail Inc. / MRP Family Retail Inc. has been prepared in accordance with Section 80.2(4) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the attached Trustee's Report of Cash Flow Statement dated the 19th day of January, 2017 and the Report on Cash Flow Statement by the Company Making the Proposal dated the 19th day of January, 2017.

Richter Advisory Group Inc.

per: 
Adara Sherman

District of: Ontario
Division No.: 09-Toronto
Court No.: 31-2205066 / 31-2205065
Estate No.: 31-2205066 / 31-2205065

FORM 29
Trustee's Report on Cash-Flow Statement
(Paragraph 50.4(2) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
MRP Retail Inc. / MRP Family Retail Inc.
of the City of Toronto
in the Province of Ontario

The attached statement of projected cash flow of MRP Retail Inc. / MRP Family Retail Inc., as of the 19th day of January, 2017, consisting of the period from January 9, 2017 to February 25, 2017, has been prepared by the management of the insolvent person for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management and employees of the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

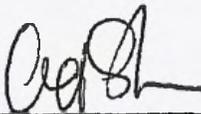
- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Toronto, in the Province of Ontario, this 19th day January, 2017.

Richter Advisory Group Inc. - Trustee
Per:



Adam Sherman, MBA, CIRP, LIT
181 Bay Street, 33rd Floor
Toronto, ON M5J 2T3
Phone: (416) 488-2345 Fax: (416) 488-3765

District of: Ontario
Division No.: 09-Toronto
Court No.: 31-2205066 / 31-2205065
Estate No.: 31-2205066 / 31-2205065

FORM 29 – ATTACHMENT
Trustee's Report on Cash-Flow Statement
(Paragraph 50.4(2) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
MRP Retail Inc. / MRP Family Retail Inc.
of the City of Toronto
in the Province of Ontario

Purpose:

MRP Retail Inc. / MRP Family Retail Inc. each filed a Notice of Intention to Make a Proposal on January 9, 2017. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of MRP Retail Inc. / MRP Family Retail Inc. (together, the "Company"), for the period January 9, 2017 to February 25, 2017, relating to the filing of a Notice of Intention to Make a Proposal on January 9, 2017.

This Statement of Projected Cash Flow has been prepared by management on January 19, 2017, based on available financial information at that date in accordance with Section 50.4(2) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period January 9, 2017 to February 25, 2017, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

The projected cash receipts have been estimated by management, based upon the experience of the Company.

(b) Projected Cash Disbursements

The projected cash disbursements have been estimated based upon historical data adjusted to reflect the current level of activity and best estimates of the Company.

Remittances for source deductions and sales taxes are included in the disbursement assumptions.

Disbursements do not provide for the payment of pre-filing amounts owed to unsecured creditors.

The Company has made arrangements with its senior lenders to have access to its credit facilities through the forecast period.

Dated at the City of Toronto, in the Province of Ontario, this 19th day January, 2017.

Richter Advisory Group Inc. - Trustee

Per:



Adam Sherman, MBA, CIRP, LIT
181 Bay Street, 33rd Floor
Toronto, ON M5J 2T3
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District of: Ontario
Division No.: 09-Toronto
Court No.: 31-2205066 / 31-2205065
Estate No.: 31-2205066 / 31-2205065

- FORM 30 -
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraph 50.4(2) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
MRP Retail Inc. / MRP Family Retail Inc.
of the City of Toronto
In the Province of Ontario

The management of MRP Retail Inc. / MRP Family Retail Inc. has developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 19th day of January 2017 consisting of the period January 9, 2017 to February 25, 2017.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Toronto, in the Province of Ontario, this 19th day of January, 2017.


MRP Retail Inc.
MRP Family Retail Inc.


Malcolm Periman, President

District of: Ontario
Division No.: 09-Toronto
Court No.: 31-2205088 / 31-2205085
Estate No.: 31-2205088 / 31-2205085

- FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraph 50.4(2) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
MRP Retail Inc. / MRP Family Retail Inc.
of the City of Toronto
In the Province of Ontario

Purpose:

MRP Retail Inc. / MRP Family Retail Inc. each filed a Notice of Intention to Make a Proposal on January 9, 2017. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of MRP Retail Inc. / MRP Family Retail Inc. (together, the "Company"), for the period January 9, 2017 to February 25, 2017, relating to the filing of a Notice of Intention to Make a Proposal on January 9, 2017.

This Statement of Projected Cash Flow has been prepared by management on January 19, 2017, based on available financial information at that date in accordance with Section 50.4(2) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period January 9, 2017 to February 25, 2017, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

The projected cash receipts have been estimated by management, based upon the experience of the Company.

(b) Projected Cash Disbursements

The projected cash disbursements have been estimated based upon historical data adjusted to reflect the current level of activity and best estimates of the Company.

Remittances for source deductions and sales taxes are included in the disbursement assumptions.

Disbursements do not provide for the payment of pre-filing amounts owed to unsecured creditors.

The Company has made arrangements with its senior lenders to have access to its credit facilities through the forecast period.

Dated at the City of Toronto, in the Province of Ontario, this 19th day of January, 2017.



MRP Retail Inc.
MRP Family Retail Inc.



Malcolm Perlman, President

APPENDIX “C”

MRP Retail Inc. / MRP Family Retail Inc.

Cash Flow Projection

(in \$000s)

Week Ending	4-Feb-17	11-Feb-17	18-Feb-17	25-Feb-17	4-Mar-17	11-Mar-17	18-Mar-17	25-Mar-17	TOTAL
Cash Receipts	373	392	380	387	368	446	553	424	3,323
Disbursements									
Purchases	139	139	171	171	167	167	221	221	1,396
Payroll & Benefits	132	154	124	120	124	130	140	120	1,046
EHT/WSIB Payments	19	-	-	-	18	-	-	-	37
Rent	499	-	-	-	492	-	-	-	991
Interest and Charges	11	1	1	17	13	1	1	19	63
Net HST Payable (Receivable)	231	-	-	42	-	-	-	5	278
Professional fees	75	-	50	-	50	50	25	25	275
Other	44	44	44	44	44	44	44	44	353
Deposits	-	-	-	-	-	-	-	-	-
Net Cash Flow	1,150	338	390	395	907	392	431	435	4,439
	(777)	55	(10)	(8)	(539)	54	121	(12)	(1,116)
Opening Bank Balance	(1,376)	(2,153)	(2,099)	(2,109)	(2,117)	(2,656)	(2,602)	(2,481)	(1,376)
Repayments / (Draws)	(777)	55	(10)	(8)	(539)	54	121	(12)	(1,116)
Ending Bank Balance	(2,153)	(2,099)	(2,109)	(2,117)	(2,656)	(2,602)	(2,481)	(2,492)	(2,492)

**IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF
MRP RETAIL INC. AND MRP FAMILY RETAIL INC.**

Court File Nos. 31-2205065
31-2205066

ONTARIO

**SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
IN BANKRUPTCY AND INSOLVENCY**

PROCEEDING COMMENCED AT TORONTO

**FIRST REPORT OF RICHTER ADVISORY
GROUP INC., IN ITS CAPACITY AS TRUSTEE
UNDER THE NOTICES OF INTENTION TO MAKE
A PROPOSAL OF MRP RETAIL INC. AND MRP
FAMILY RETAIL INC.**

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Capacity as Trustee*