

IN THE MATTER OF THE PROPOSAL OF  
2261721 ONTARIO LTD.  
A CORPORATION WITH AN OFFICE  
IN THE TOWN OF AURORA  
PROVINCE OF ONTARIO

NOTICE OF MATERIAL ADVERSE CHANGE  
s.50(10)(a.)

---

The Trustee acting in re: the Proposal of 2261721 Ontario Ltd.,(the "Debtor") hereby reports as follows:

1. The First Meeting of Creditors was convened on April 29, 2014. The meeting was adjourned for a reasonable period of time to permit further investigation of the Debtor's affairs by CRA and to allow the Debtor to continue negotiations with major unsecured creditors. Certain significant unsecured creditors are requesting that the Debtor file an amended proposal offering the creditors 100 cents on the dollar. Any post supplies being purchased are on c.o.d. basis.
2. The Debtor has:
  - a) been unable to meet its post-filing obligations with regard to the Kanata location which has prompted the landlord to advise that formal notices of termination of the lease will be forthcoming shortly;
  - b) has failed to reach an agreement with the landlord for one of the Oakville leased locations;
  - b) post filing HST has not been paid in full since the date of the filing of the NOI; partial payment will be made;
  - c) as a result of the restructuring various employees were terminated, which may trigger a requirement to pay accrued pay vacation.
3. In order to satisfy the payment requirements of the critical suppliers and the various landlords, the Debtor will have to file an Amended Proposal, close certain stores, amalgamate the contents to which it will be disclaiming on the leases, and terminate further employees.

Signed at Aurora, Ontario this 28<sup>th</sup> of May, 2014.

RUSSO CORP.  
Trustee acting in re: The Proposal  
of 2261721 Ontario Ltd., a Debtor

PER: \_\_\_\_\_

*JBR*  
Joanne Russo, CIRP