



MEC TO BE ACQUIRED BY KINGSWOOD CAPITAL MANAGEMENT THROUGH CCAA PROCEEDING

Update from the MEC Board of Directors 2 October 2020

Effective October 2, 2020, MEC was granted an Amended and Restated Initial Order and an Approval and Vesting Order from the Supreme Court of British Columbia under the CCAA. The Approval and Vesting Order approved the transaction contemplated by the asset purchase and sale agreement between MEC and 1264686 BC. Ltd., a Canadian affiliate of Kingswood Capital Management, dated September 11, 2020. The sale strengthens MEC’s finances and core operating business, preserves jobs, retains the vast majority of MEC’s locations and guarantees members continued access to authentic advice and high-quality products at competitive prices.

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Vancouver, BC – September 14, 2020 – MEC’s Board of Directors (the “Board”) announced its unanimous support for an agreement with Kingswood Capital Management, LP (“Kingswood”), whereby Kingswood will acquire substantially all of MEC’s assets through the Companies’ Creditors Arrangement Act (“CCAA”) and ensure a thriving future for the Canadian retailer.

The acquisition will strengthen MEC’s balance sheet, preserve jobs and guarantee members continued access to authentic advice and high-quality products at competitive prices.

“MEC is an iconic brand founded on strong values and has a loyal following,” said Kingswood’s Managing Partner, Alex Wolf. “We have tremendous respect for those values and the loyal membership and are honored to be partnering with Canadian operating partners who will represent us on the ground in Canada working with MEC’s management team following the

closing to ensure a bright future for MEC. Upon completion of this transaction, we – together – can inspire and equip Canadians in leading an active outdoor lifestyle for years to come.”

Longstanding MEC member and Canadian, Eric Claus, will lead Kingswood’s newly formed Canadian affiliate as Board Chair and CEO. Eric looks forward to upholding MEC’s core values and further enhancing the experience for members.

A Special Committee of the Board engaged in an extensive examination of options and alternatives to address the persistent financial challenges faced by MEC’s business in recent years. Exacerbated by the unprecedented disruption of the COVID-19 pandemic, these challenges impacted MEC’s ability to secure a refinancing on terms that would meet MEC’s future needs.

As part of the review, the Special Committee, in concert with expert advisors,

- sought refinancing from a variety of potential lenders;
- proactively explored and leveraged applicable government support programs; and,
- examined funding MEC through voluntary member assessments.

The Special Committee ultimately recommended a solution that ensures MEC’s mission will continue.

“After careful consideration of all viable options, the Board made this difficult decision,” said MEC’s Board Chair Judi Richardson. “Despite significant progress on a thoughtful turnaround strategy undertaken by new leadership, no strategy could have anticipated or overcome the impact of the global pandemic on our business. Today’s announcement, including the transition from a co-operative structure, is creating a positive path forward for MEC. Kingswood’s commitment to honouring the MEC ethos and the solid financial footing that this transaction will provide gives us tremendous confidence in the future. Since our founding in 1971, MEC’s

deeply loyal customers have been synonymous with who we are and what we do. That won't change."

About the transaction

To facilitate the transaction, MEC has successfully obtained an Initial Order from the Supreme Court of British Columbia (the "Court") under the CCAA. The CCAA proceedings will allow MEC to continue operating while the transaction and other elements of the plan are completed. Alvarez & Marsal Canada Inc. has been appointed by the Court as the monitor under the CCAA proceedings (the "Monitor").

Under the terms of the transaction, Kingswood, through its British Columbia affiliate, will acquire substantially all of the assets associated with MEC's retail business. Kingswood has committed to acquire the vast majority of retail stores. Upon completion, the MEC retail business will be under private ownership.

The transaction remains subject to Court and regulatory approvals and is expected to close in the fourth quarter of 2020.

For further information regarding the CCAA proceedings, please contact Alvarez & Marsal Canada Inc., the court-appointed Monitor of MEC at 1-844-768-8244 or mec@alvarezandmarsal.com. Their website is www.alvarezandmarsal.com/MEC.

About MEC

MEC (Mountain Equipment Co-op) is Canada's go-to place for outdoor gear, know-how and inspiration. Combining high-quality apparel and equipment with expert advice and firsthand experience, MEC supports a wide range of activities including camping, snow sports, watersports, cycling, climbing, hiking, running and travel. Established in 1971, MEC has been Canada's largest consumer co-operative with over 5 million members across the country. A strong backer of community initiatives, MEC has invested \$44 million and counting into non-profit organizations that support outdoor recreation and conservation.

About Kingswood Capital Management, LP

Kingswood Capital Management, LP is a private investment firm primarily focused on investing in businesses in transition. In addition to access to capital, Kingswood brings relevant industry relationships and a broad network of internal and external operating resources that can strengthen the businesses it partners with and enhance value. Kingswood has extensive experience with complex transactions where it provides tailored solutions that ensure the best outcome for all constituents.