

TO THE CREDITORS OF FREEMARK APPAREL BRANDS RETAIL BE INC. AND FREEMARK APPAREL BRANDS GROUP INC. (hereinafter referred to as the “Companies” or “Debtors”)

Purpose of First Meeting of Creditors

As noted in the attached documents, on July 21, 2020, the Companies filed a joint proposal to their creditors. However, unlike a traditional proposal which provides details of how the Debtors will attempt to settle their pre-filing obligations which will then be voted upon at a meeting of creditors, this is a holding proposal (“Holding Proposal”) which seeks to provide the Debtors with up to six (6) months to file an amended proposal to their creditors.

At the present time, the realization of assets of the Debtors would be insufficient to pay the first ranking secured creditor in full and accordingly, there would be no funds available for unsecured creditors. Consequently, the Debtors determined that the filing of a Holding Proposal is the only course of action available to them to permit them to attempt to make a viable proposal to their creditors, the alternative being a bankruptcy which will result in zero recovery for the unsecured creditors. If the creditors agree to the extension of time, the Debtors intend to engage with their insurers under their directors’ and officers’ insurance policy and to explore all other avenues to secure a source of funding to enable an amended proposal to be filed.

Pursuant to the Holding Proposal, the Trustee will be calling a meeting of creditors on August 11, 2020 (the “Creditors’ Meeting”) and will recommend that the meeting be adjourned until an amended proposal may be filed by the Debtors. The Debtors will be working diligently to get to that point as expeditiously as possible. Attached is a copy of the Holding Proposal, the notice, proof of claim and voting letter.

The Debtors and the Trustee realize that further delay is not ideal, but as noted above, if a bankruptcy were to occur immediately, there is no prospect for any distribution to unsecured creditors. The Holding Proposal at least offers the potential of a distribution to unsecured creditors. Accordingly, the Trustee recommends to the creditors to vote in favor of adjourning the Creditors’ Meeting until the amended proposal can be determined and filed.

Should you have any questions in advance of the meeting, please contact the undersigned directly at 514-934-3513 or by email at AAdessky@richter.ca

Dated at Montreal, this 30th day of July 2020

Yours very truly,

Richter Advisory Group Inc.

Trustee



Andrew Adessky, CPA, CA, MBA, CIRP, LIT

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