

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL  
Court No: 500-11-057805-208,  
500-11-057804-201  
File No: 41-2607510,  
41-2607508

SUPERIOR COURT  
(Commercial Division)  
*Bankruptcy and Insolvency Act*

---

IN THE MATTER OF THE NOTICE OF  
INTENTION TO MAKE A PROPOSAL OF:

**FREEMARK APPAREL BRANDS RETAIL BE  
INC.**

and

**FREEMARK APPAREL BRANDS GROUP INC.**  
legal persons duly incorporated under the laws of  
Canada, having their principal places of business at  
5640 Pare Street, Mount Royal, Quebec, H3B 1M1

**Petitioners / Debtors**

-and-

**RICHTER ADVISORY GROUP INC.**

**Proposal Trustee**

---

**SECOND REPORT OF THE PROPOSAL TRUSTEE  
ON THE STATE OF PETITIONERS' BUSINESS AND FINANCIAL AFFAIRS  
February 17, 2020**

---

**INTRODUCTION**

1. On January 21, 2020, each of Freemark Apparel Brands Retail BE Inc. ("**FAB Retail**") and Freemark Apparel Brands Group Inc. ("**FAB Wholesale**") (collectively with FAB Retail, the "**Debtors**") filed a Notice of Intention to Make a Proposal (the "**NOI**"). Richter Advisory Group Inc. ("**Richter**") was named Trustee.
2. Prior to filing the NOI, this Court authorized Richter to act as trustee to the NOI. Such an authorization was required as an entity related to Richter acts as the auditor for the Debtors.

3. On or around January 27, 2020, the Debtors filed a Motion for the Issuance of an Order Authorizing a Liquidation Sale and Approving Ancillary Relief ("**Liquidation Motion**"). An order was rendered on January 31, 2020 approving the Liquidation Motion (the "**Liquidation Order**").
4. On January 27, 2020, the Proposal Trustee filed its First Report in support of the Liquidation Motion ("**First Report**").
5. On February 17, 2020, the Debtors filed the First Motion for the Extension of the Delay to File a Proposal (the "**First Extension Motion**"). The First Extension Motion will be heard on February 20, 2020.
6. In order to monitor the affairs and finances of the Debtors, the Proposal Trustee has been provided with access to the books, records and other important documents of the Debtors.

### **PURPOSE OF THIS REPORT**

7. The purpose of this Second Report is to provide this Court with information pertaining to:
  - a) The background and operations of the Debtors;
  - b) The Debtors' creditors;
  - c) Post-filing operations;
  - d) The Sale and Investment Solicitation Process;
  - e) The Debtors' statement of projected cash flow for the period from January 13, 2020 to February 9, 2020 and the reported results therein;
  - f) The Debtors' request for a first extension of the statutory delay to file a proposal (the "**Proposal Period**") to April 3, 2020; and
  - g) The Trustee's recommendation that this Court render an order approving the First Extension Motion.

### **TERMS OF REFERENCE**

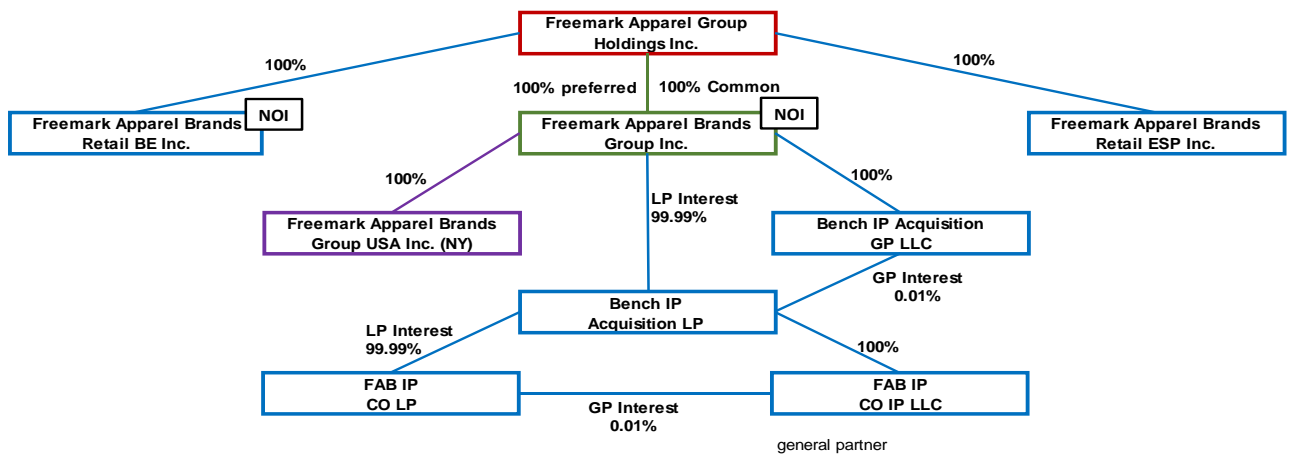
8. In preparing this Second Report, the Proposal Trustee has relied upon certain unaudited financial information prepared by the Debtors' representatives, the Debtors' books and records, and discussions with the Debtors' representatives and legal counsel (the "**Information**").
9. Except as otherwise described in this Second Report, the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a

manner that would wholly or partially comply with Generally Accepted Assurance Standards (“GAAS”) pursuant to the Chartered Professional Accountant of Canada Handbook and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

- Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

### BACKGROUND AND OPERATIONS OF THE DEBTORS

- The information concerning the background and operations was set out in the First Report but is being reproduced for ease of reference.
- The organizational chart for the FAB group of companies (the “FAB Group”), which includes the two Debtors subject to the NOI proceedings, can be represented as follows:



- The FAB Group is a retailer of branded apparel. FAB Retail conducts its operations through a chain of 25 retail stores (throughout Canada) and through an e-commerce site. FAB Wholesale sells to a variety of customers including Costco, the Bay, Winners and other retailers.
- The FAB Group’s head office is located in Montreal as well as its warehouse and distribution center. All of the FAB Group’s locations are leased from third parties.
- Prior to the filing of the NOIs, the FAB Group employed approximately 340 people of which 25 were let go immediately prior to the filing.

## SECURED LENDERS

16. The information concerning the secured lenders and the unsecured creditors was set out in the First Report but is being reproduced for ease of reference.
17. At the time of the filing of the NOIs, the Debtors' books and records reflected amounts owing to the following secured creditors:
  - a) Accord Financial Inc. ("**Accord**") – \$15.1 million in respect of the operating loan advances. As of the date of this Report, the operating loan advances are approximately \$12.8 million;
  - b) Gordon Brothers Brands, LLC ("**GBB**") – \$5.9 million (~US\$4.5 million) in respect of the balance of sale owing on the purchase of the Bench intellectual property for the Americas; and
  - c) Freemark Apparel Holdings Inc. ("**FAHI**") – \$14.7 million in respect of shareholders loans.
18. As noted in the Liquidation Motion, Accord and the Debtors entered into a forbearance agreement ("**Forbearance Agreement**") by which Accord will continue to provide financing during the NOI proceedings subject to the terms of the Forbearance Agreement which requires, amongst other things, that FAB Retail liquidate all of its inventory.
19. As noted in the First Extension Motion, the Debtors have had discussions with GBB regarding a potential forbearance agreement. To date, no agreement has been reached although the Proposal Trustee has been informed that discussions are continuing.
20. The Proposal Trustee will be engaging independent legal counsel to provide the Trustee with an opinion regarding the validity and enforceability of the security granted by the Debtors to the secured creditors.

## UNSECURED CREDITORS

21. Based on the books and records of the Debtors, unsecured creditors consisting of landlords, trade suppliers, service providers and others are owed the following amounts:
  - a) FAB Wholesale - \$5.2 million;
  - b) FAB Retail - \$0.7 million.
22. It should be noted that many of the suppliers for FAB Retail actually invoice FAB Wholesale as they are supplying products to both companies, and as such, the debts of the two companies are to some extent co-mingled.

23. We further note that the actual amounts owing may vary once a claims process has been put in place, in particular as landlords will have claims in respect of damages relating to the disclaimer of the retail leases.

#### **POST-FILING OPERATIONS**

24. Subsequent to the filing of the NOI's, FAB Retail commenced the liquidation of inventory in all of its retail locations. At the present time, no decision has been taken in respect of when FAB Retail will commence the closure of its retail locations. FAB Retail will assess the timing of store closures in early to mid-March 2020 based on the liquidation results at that time.
25. FAB Wholesale is servicing its customers in the ordinary course of business.

#### **SALE AND INVESTMENT SOLICITATION PROCESS**

26. The Debtors, with the assistance of the Proposal Trustee, launched a sale and investment solicitation process (the "**SISP**") on February 7, 2020 in respect of (i) certain intellectual property held by a wholly-owned subsidiary of FAB Wholesale (the "**Bench Americas IP**"); (ii) the current wholesale order book owned by FAB Wholesale, and (iii) the rights held by FAB Wholesale to exercise an option to purchase certain intellectual property owned by an affiliate of GBB in respect of licenses relating to the Bench brand for those territories not included in the Bench Americas IP (the "**Bench ROW IP**").
27. In respect of the SISP, we comment as follows:
- a) The SISP was launched with the issuance of a teaser (**Exhibit "A"**) to approximately 62 interested parties consisting of strategic buyers and financial investors;
  - b) The Proposal Trustee created a virtual data room with the necessary information to enable interested parties to evaluate the intellectual property and the wholesale business.
28. To date, seventeen (17) parties have signed a confidentiality agreement and have been granted access to the digital data room. A further three (3) parties have requested the confidentiality agreement but have not yet returned an executed copy. In addition, the Proposal Trustee and the Debtors are responding to information requests from interested parties.
29. The bid deadline to submit an offer is March 6, 2020, at noon eastern time. Any offers received will be opened thereafter at the Proposal Trustee's offices.

30. Notwithstanding the SISP, GBB has advised that it intends to launch its own sale process in respect of the Bench Americas IP, over which it holds a first ranking security interest pursuant to Article 9 of the Uniform Commercial Code.

### THE DEBTOR'S CASH FLOW FORECAST

31. The reported results versus the Debtors' projections for the period January 13, 2020 to February 9, 2020, which are summarized in the table below, reflect a positive net cash flow variance of approximately \$1,168K mainly attributable to variances associated with stronger than forecast retail and wholesale sales in the period (a portion of which is timing related), partially offset by higher than forecast trade supplier payments and general expenses (a portion of which is also timing related):

<b>Freemark Apparel Brands Inc.</b>			
<b>Reported vs Projected</b>			
<b>For the period Jan 13 to Feb 9, 2020</b>			
<b>(\$000's)</b>	<b>Reported</b>	<b>Projected</b>	<b>Variance</b>
<b>Cash Receipts</b>			
Retail	\$ 3,672	\$ 2,525	\$ 1,147
Wholesale	4,101	3,204	898
Other	-	50	(50)
	<b>7,773</b>	<b>5,778</b>	<b>1,995</b>
<b>Disbursements</b>			
Purchases	(2,786)	(2,024)	(762)
Payroll	(806)	(817)	11
Operational Expenses	(636)	(665)	29
Rent	(339)	(289)	(50)
Freight & Duty	(69)	(28)	(41)
Insurance	(93)	(15)	(78)
Sales Taxes	16	-	16
Financial Charges	(169)	(144)	(25)
Professional Fees	(243)	(315)	72
	<b>(5,125)</b>	<b>(4,297)</b>	<b>(827)</b>
<b>Net Cash Flow</b>	<b>\$ 2,649</b>	<b>\$ 1,481</b>	<b>\$ 1,168</b>

32. In support of the extension sought, the Debtor has prepared a statement of projected cash flow (**Exhibit "B"**) covering the period February 10, 2020 to April 5, 2020 which we summarize as follows:

<b>Freemark Apparel Brands Inc.</b>	
<b>Statement of Projected Cash Flow</b>	
<b>For the period Feb 10 to April 5, 2020</b>	
<b>(\$000's)</b>	<u>Total</u> <i>(55 days)</i>
<b>Collections</b>	
Retail	\$ 6,450
Wholesale	7,045
Other	50
	<b>13,545</b>
<b>Disbursements</b>	
Purchases	(5,010)
Payroll	(1,616)
Operational Expenses	(1,363)
Rent	(726)
Freight & Duty	-
Insurance	-
Sales Taxes	(810)
Financial Charges	(249)
Professional Fees	(419)
<b>Total Disbursements</b>	<b>(10,194)</b>
<b>Net Cash Flow</b>	<b>\$ 3,351</b>
<b>Opening Revolver (Net of Cash)</b>	<b>\$ (12,775)</b>
Net Cash Flow	3,351
<b>Ending Revolver (Net of Cash)</b>	<b>\$ (9,423)</b>

33. The statement of projected cash flow was prepared on the basis of projected liquidation sales in the retail locations, ongoing wholesale sales in the normal course as well as collections of existing accounts receivables.

#### **REQUEST TO EXTEND THE PROPOSAL PERIOD TO APRIL 3, 2020**

34. The Debtors are requesting the extension of the Proposal Period to April 3, 2020 (the "**Extension**").
35. The Proposal Trustee supports the Debtors' request for the Extension for the following reasons:
- a) FAB Retail commenced its liquidation sales immediately following the commencement of the NOI. The projections indicate that the retail liquidation sales will run through the end of April 2020 and could be extended if required. It is thus necessary to continue the stay period in order to maximize value for the stakeholders;
  - b) The SISP was launched on February 7, 2020 and interested parties have begun their due diligence and bids are not due until March 6, 2020;
  - c) The Debtors are acting in good faith and with due diligence in taking steps to maximize the value of their assets for the benefit of their creditors;

- d) It is the Proposal Trustee's view that the Extension will not materially prejudice or adversely affect any group of creditors; and
- e) Both Accord, GBB and FAHI have been advised of the Extension. Accord and FAHI have confirmed their support of the Extension sought herein.

**CONCLUSION**

36. For the reasons outlined above, the Proposal Trustee supports the issuance of the conclusions sought in paragraph 7(g) of this report.

Respectfully submitted at Montreal, this 17<sup>th</sup> day of February 2020.

**Richter Advisory Group Inc.**

Trustee



Andrew Adessky, CPA, CA, CIRP, LIT



Eric Barbieri, CPA, CA, CTP, CIRP, LIT



# **Exhibit A**

BRAND ACQUISITION OPPORTUNITY

**Bench.**

A WORLD CLASS ATHLEISURE STREET BRAND

Brand Overview

**Bench.**



**“From humble beginnings to global status...”**

- Inspired by an active 24hr lifestyle, Bench is a brand that designs, sources, and markets clothing and accessories for men, women and kids. Born in the heart of Manchester, England, it originated in the late 80s as a niche t-shirt brand.
- The brand direction today is inspired by multipurpose city clothing. The hoodie is an iconic piece of Bench heritage and has become a staple in each season’s collection. Bench offers two core categories of products: athleisure and streetwear.
- These categories are rooted in the brand DNA and sustained by a contemporary and functional approach to product design. From humble beginnings to global status, Bench has become renowned for offering fashionable, comfortable, and timeless pieces.

***Bench is an ideal fit for multi-brand licensing groups and/or wholesaler-distributors wishing to expand their brand portfolio, as well as for North American or European retailers seeking a competitive edge by securing exclusive rights to a world class athleisure street brand.***

## BRAND ACQUISITION OPPORTUNITY

# Bench.

### A WORLD CLASS ATHLEISURE STREET BRAND

## Key Investment Considerations



### Multi-channel distribution network and strong licensees

The brand has a multi-channel distribution network, including wholesale and ecommerce, with annual sales exceeding 5 million units in Canada.

**Canadian wholesale distribution:** Costco, Mark's, Saks Off 5<sup>th</sup>, Winners & other major wholesale accounts.

**Canadian specialty products licensees:** Multiple well-established licensees in various product categories.

**European distribution:**

- Main licensee is a major UK brand distributor, which has been a mainstay at the forefront of the fast fashion sector within the UK and worldwide for more than 20 years.
- Specialty Bench products are also distributed in Germany and other European markets via several additional licensees.

### Significant growth potential

Bench is positioned for major growth in multiple channels:

- U.S. wholesale & licensing: *significant opportunity to expand brand awareness in US market.*
- Licensing of non-core categories in existing markets: *discussions under way to add eyewear and bedding licenses in NA.*
- Growth of existing Canadian and US E-Commerce, and launch of Global E-Commerce: *currently more than 250,000 registered online users in Canada.*
- US & International Costco.
- Global licensing.

### Strong brand equity

Bench is widely recognized for its multipurpose city clothing and has built extremely strong equity in Canada, the UK and Germany. The Brand is currently widely available in those markets.

### Investment opportunity

FAB is seeking to monetize its interest in the Bench Brand via a sale transaction either to a single purchaser interested in owning the Global Bench IP, or multiple acquirers interested in regional ownership of the Bench Brand (Canada, USA, rest of world). FAB will also entertain opportunities to enter into a strategic partnership.

BRAND ACQUISITION OPPORTUNITY

# Bench.

A WORLD CLASS ATHLEISURE STREET BRAND

## Financial Overview

- Worldwide annual sales CAD \$125M at wholesale value
- Royalty revenues in excess of CAD \$9.5M

### Canada

~\$80M Sales at Wholesale  
\$6.0M Annual Royalties

### Europe

~\$45M Sales at Wholesale  
\$3.6M Annual Royalties

## Sale and Investment Solicitation Process

- On January 21, 2020, Freemark Apparel Brands Group Inc. (“FAB”) filed a Notice of Intention to Make a Proposal (“NOI”) under the Bankruptcy and Insolvency Act (“BIA”).
- Richter Advisory Group Inc. (“Richter” or “Trustee”) was named Trustee.
- Richter is conducting an accelerated formal sale and investment solicitation process for the intellectual property and current order book owned by FAB.
- Detailed information relating to the Bench intellectual property will be made available, in a virtual data room, upon signature and receipt by Richter of the Confidentiality Agreement (attached hereto). All inquiries and any requests for additional information should be made directly to Richter.
- Upon execution of the Confidentiality Agreement, interested parties will also be provided with a process letter setting out the terms of the solicitation process and associated timelines. **Interested parties will be required to submit Binding Offers by no later than 12:00 PM ET on Friday, March 6, 2020.**
- Documents relating to the NOI are available on the Trustee’s website at: <https://www.richter.ca/insolvencycase/freemark-apparel/>
- Any transaction will be subject to approval by the Court and secured lenders.

## BRAND ACQUISITION OPPORTUNITY

# **Bench.**

### A WORLD CLASS ATHLEISURE STREET BRAND

## About Richter

Founded in Montréal in 1926, Richter is a licensed public accounting firm that provides assurance, tax and wealth management services, as well as financial advisory services in the areas of organizational restructuring, business valuation, corporate finance, litigation support, and forensic accounting. Richter has offices in Toronto, Montréal and Chicago. Our team is composed of more than 450 partners, specialists, high level professionals and administrative staff.

## Confidentiality and Disclaimer

This document has been prepared based on information provided by our client and is intended to provide preliminary information to interested parties to formulate the basis of their investment and/or transaction intent. The information contained herein is confidential and proprietary to our client. Accordingly, the reader agrees to treat all information as strictly confidential and shall not disclose, either in part or in whole, to any party not directly involved in the investment and/or transaction decision.

This document is not intended for general circulation or publication and cannot be reproduced in any form without the written permission of our client and of Richter Advisory Group Inc. This document does not constitute a prospectus, offering memorandum or public offering. No guarantees are made or implied with regards to the investment and/or transaction that may ultimately result.

**Enquiries concerning this Investment Opportunity  
should be directed to**

**Richter Advisory Group Inc.**

**ERIC BARBIERI**  
PARTNER  
EBarbieri@richter.ca  
514.934.8693

**ANDREW ADESSKY**  
PARTNER  
Aadessky@richter.ca  
514.934.3513

# **Exhibit B**

District of: Québec  
Division No.: 01-Montréal  
Court No.: 500-11-057805-208  
Estate No.: 41-2607508, 41-2607510

FORM 29  
Trustee's Report on Cash-Flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of  
Freemark Apparel Brands Group Inc. and Freemark Apparel Brands Retail BE Inc. "**Debtors**"  
Of the City of Mont-Royal  
In the Province of Québec

The attached statement of projected cash flow of the Debtors, as of the 17th day of February 2020, consisting of the period from February 10, 2020 to April 5, 2020, 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 Montréal, in the Province of Quebec, this 17th day February 2020.

Richter Advisory Group Inc.  
Licensed Insolvency Trustee  
Per:



---

Andrew Adessky, MBA, CPA, CA, CIRP, LIT  
1981 McGill College, 11th Floor  
Montréal QC H3A 0G6  
Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Québec  
Division No.: 01-Montréal  
Court No.: 500-11-057805-208  
Estate No.: 41-2607508, 41-2607510

FORM 29 – ATTACHMENT  
Trustee's Report on Cash-Flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of  
Freemark Apparel Brands Group Inc. and Freemark Apparel Brands Retail BE Inc. "Debtors"  
Of the City of Mont-Royal  
In the Province of Québec

**Purpose:**

The Debtors filed a Notice of Intention to Make a Proposal on January 21, 2020. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of the Debtors (the "Company"), for the period February 10, 2020 to April 5, 2020, relating to the filing of relating to the filing of a Motion to extend the delay to make a proposal.

This Statement of Projected Cash Flow has been prepared by management on February 17, 2020, 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 February 10, 2020 to April 5, 2020, 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 historical and recent sales trends adjusted to reflect management's restructuring plan.

(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity, best estimates of the Company and management's restructuring plan;

Professional fees are based on management's estimate and relate to the filing of the Notice of Intention to Make a Proposal and restructuring;

The current government remittances for source deductions and sales taxes are included in the disbursement assumptions.

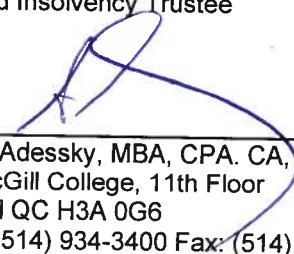
The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at the City of Montréal in the Province of Quebec, this 17th day February 2020.

Richter Advisory Group Inc.

Licensed Insolvency Trustee

Per:

  
\_\_\_\_\_  
Andrew Adessky, MBA, CPA, CA, CIRP, LIT  
1981 McGill College, 11th Floor  
Montréal QC H3A 0G6  
Phone: (514) 934-3400 Fax: (514) 934-8603



District of: Québec  
Division No.: 01-Montréal  
Court No.: 500-11-057805-208  
Estate No.: 41-2607508, 41-2607510

- FORM 30 -  
Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2) (c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of  
Freemark Apparel Brands Group Inc. and Freemark Apparel Brands Retail BE Inc. "**Debtors**"  
Of the City of Mont-Royal  
In the Province of Québec

The management of the Debtors has developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 17th day of February 2020, consisting of the period from February 10, 2020 to April 5, 2020.

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 Montreal in the Province of Quebec, this 17th day of February 2020.

  
\_\_\_\_\_  
The Debtors

  
\_\_\_\_\_  
Name and title of signing officer

District of: Québec  
Division No.: 01-Montréal  
Court No.: 500-11-057805-208  
Estate No.: 41-2607508, 41-2607510

- FORM 30 - Attachment  
Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2) (c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of  
Freemark Apparel Brands Group Inc. and Freemark Apparel Brands Retail BE Inc. "Debtors"  
Of the City of Mont-Royal  
In the Province of Québec

**Purpose:**

The Debtors filed a Notice of Intention to Make a Proposal on January 21, 2020. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of the Debtors (the "Company"), for the period February 10, 2020 to April 5, 2020, relating to the filing of relating to the filing of a Motion to extend the delay to make a proposal.

This Statement of Projected Cash Flow has been prepared by management on February 17, 2020 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 February 10, 2020 to April 5, 2020, 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 historical and recent sales trends adjusted to reflect management's restructuring plan.

(b) Projected Cash Disbursements

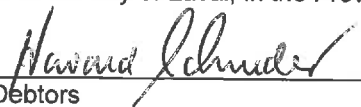
The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity, best estimates of the Company and management's restructuring plan;

Professional fees are based on management's estimate and relate to the filing of the Notice of Intention to Make a Proposal and restructuring;

The current government remittances for source deductions and sales taxes are included in the disbursement assumptions.

The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at the City of Laval, in the Province of Quebec, this 17th day of February 2020.

  
The Debtors

  
Name and title of signing officer


District of: Québec  
 Division No.: 01-Mont:éal  
 Court No.: 500-11-057805-208  
 Estate No.: 41-2607508, 41-2607510

**Statement of Combined Projected Cash Flows for:  
 Freemark Apparel Brands Group Inc.  
 Freemark Apparel Brands Retail BE Inc.**

Projected Weekly Cash Flow	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Total
Week ending	16-Feb-20	23-Feb-20	1-Mar-20	8-Mar-20	15-Mar-20	22-Mar-20	29-Mar-20	5-Apr-20	8-Week
\$'000	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)
<b>Collections</b>									
Retail	\$ 735	\$ 862	\$ 694	\$ 748	\$ 928	\$ 828	\$ 896	\$ 758	\$ 6,450
Wholesale	366	366	366	1,072	1,219	1,219	1,219	1,219	7,045
Other	50	-	-	-	-	-	-	-	50
	<b>1,151</b>	<b>1,229</b>	<b>1,061</b>	<b>1,819</b>	<b>2,147</b>	<b>2,047</b>	<b>2,115</b>	<b>1,977</b>	<b>13,545</b>
<b>Disbursements</b>									
Purchases	(626)	(626)	(626)	(626)	(626)	(626)	(626)	(626)	(5,010)
Payroll	(158)	(311)	-	(342)	(158)	(307)	-	(342)	(1,616)
Operational Expenses	(223)	(170)	(130)	(212)	(149)	(162)	(148)	(168)	(1,363)
Rent	(15)	(150)	-	(214)	(15)	(150)	-	(182)	(726)
Freight & Duty	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-
Sales Taxes	-	-	-	-	-	-	-	-	-
Financial Charges	(17)	-	(113)	(10)	-	-	-	(810)	(810)
Professional Fees	(136)	(71)	(35)	(35)	(35)	(35)	(35)	(35)	(419)
	<b>(1,176)</b>	<b>(1,328)</b>	<b>(905)</b>	<b>(1,439)</b>	<b>(984)</b>	<b>(1,281)</b>	<b>(810)</b>	<b>(2,272)</b>	<b>(10,194)</b>
<b>Net Cash Flow</b>	<b>(25)</b>	<b>(99)</b>	<b>156</b>	<b>380</b>	<b>1,163</b>	<b>766</b>	<b>1,305</b>	<b>(295)</b>	<b>3,351</b>
Opening Revolver (net of cash)	(12,775)	(12,799)	(12,898)	(12,742)	(12,363)	(11,200)	(10,433)	(9,128)	(12,775)
Closing Revolver (net of cash)	\$ (12,799)	\$ (12,898)	\$ (12,742)	\$ (12,363)	\$ (11,200)	\$ (10,433)	\$ (9,128)	\$ (9,423)	\$ (9,423)

  
 Howard Schnider, CFO

Feb 17, 2020  
 Date

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

2/17/20  
 Date