

CANADA

PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

No.: 500-11-050409-164

SUPERIOR COURT

(Commercial Division)

(sitting as a court designated pursuant to the
Companies' Creditors Arrangement Act, R.S.C. 1985, c.
C-36, as amended)

IN THE MATTER OF THE PLAN OF COMPROMISE
OF:

7098961 CANADA INC. (formerly known as
BEYOND THE RACK ENTERPRISES INC.)

Debtor

-and-

RICHTER ADVISORY GROUP INC.

Monitor

<p>FIFTH REPORT OF THE MONITOR ON THE STATE OF THE DEBTOR'S BUSINESS AND FINANCIAL AFFAIRS JUNE 10, 2016</p>
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A) INTRODUCTION

1. On March 24, 2016, the Honourable Justice Martin Castonguay, J.S.C., issued an initial order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA**") in respect of 7098961 Canada Inc. (formerly known as Beyond the Rack Enterprises Inc., the "**Debtor**") as appears from the Court record.
2. Pursuant to the Initial Order, Richter Advisory Group Inc. ("**Richter**" or the "**Monitor**") was appointed as Monitor to the Debtor and a stay of proceedings (the "**Stay of Proceedings**") was issued from the date of the Initial Order until April 22, 2016 (the "**Stay Period**"). Thereafter, the Stay Period was extended a number of times and most recently until July 18, 2016.
3. On May 24, 2016, the following orders were issued, the whole with a view to proceed to the sale of substantially all the operating assets of the Debtor to 9721444 Canada Inc. (the "Purchaser") and implement the Plan of Arrangement filed by the Debtor on the same day which funding is to be made by 9721444 Canada Inc. (the "**Sponsor**"):
 - Approval and Vesting Order; and
 - Claims and Meeting Procedure Order;

4. On May 25, 2016, the Monitor issued the Monitor's Certificate confirming the following:
 - (a) the Purchase Agreement has been executed and delivered;
 - (b) the Purchase Price (as defined in the Purchase Agreement) payable upon the closing of the Transaction and all applicable taxes have been paid; and
 - (c) all conditions to the closing of the Transaction have been satisfied or waived by the parties thereto.
5. The Plan of Arrangement filed with the Court on May 24, 2016, the Claims and Meeting Procedure Order issued that day including the ancillary agreement between the Debtor, the Purchaser, Paysafe Merchant Services Inc. and Paysafe Merchant Service Corp. ("**Paysafe**"), have certain consequences requiring amendments (the "**Amendments**") to the Plan of Arrangement and the Claims and Meeting Procedure.
6. This report summarizes the Amendments that are submitted to the Court for approval and the reasoning supporting the Amendments.
7. We inform the Court that the Monitor has not conducted an audit or investigation of the information provided by the Debtor and that accordingly, no opinion is expressed regarding the accuracy, reliability or completeness of the information contained within this report. The information contained herein is based on unaudited financial information provided to the Monitor by the Debtor's management as well as discussions with the Debtor's management and employees.

B) PRESENT SITUATION

Fees and Expenses

8. On May 26, 2016, the Monitor informed the Sponsor as to the estimated fees and expenses that had to be incurred for the implementation of the Plan of Arrangement and the Claims and Meeting Procedure Order as issued on May 24, 2016.
9. It is estimated that more than 45,000 customers having an unfulfilled pre-filing order or a store credit ("**Affected Customers**") are adversely affected by the fact that pre-filing customer orders and store credits are not assumed by the Purchaser.

10. One of the major concerns of the Monitor was the fees and expenses that would be required to be incurred following the notice to more than 45,000 Affected Customers, in particular, the professional fees to deal with the calls, emails, proofs of claims to be received from Affected Customers, distribution to Affected Customers, distribution costs (photocopies and stamps) and the media costs provided by the Plan as filed on May 24, 2016.
11. After analysis of the situation, the Monitor, the Debtor, the Sponsor and the Purchaser agreed that a separate class of creditors should be provided for the Affected Customers in the Plan and the notices and treatment of their claims should be adapted to the circumstances. This is described in more detail further in this report.
12. Based on these Amendments, the Sponsor and the Monitor agreed on the payment of fees and expenses to be incurred for the implementation of the Plan and the Claims and Meeting Procedure Order as amended.

Notice to Customers

13. As indicated to the Court during the hearing held on May 24, 2016, the Monitor is unable to communicate directly with the estimated 45,000 Affected Customers but the Debtor with the assistance of the Purchaser can send an email notification to the Affected Customers using the system and technology developed by the Debtor. This joint message was provided for in the ancillary agreement between the Debtor, the Purchaser and Paysafe.
14. On May 24, 2016, the Monitor requested that the different parties (the Debtor, the Purchaser, the Sponsor and Paysafe) provide a draft message intended for the customers having either an unfulfilled pre-filing order or a store credit dated prior to March 24, 2016, in order to guide them with the course of action they ought to be adopting in light of the fact that unfulfilled pre-filing orders and store credits dated prior to March 24, 2016, are not being assumed by the Purchaser. Follow-up requests were made and on May 31, 2016, the different parties suggested the communication which was further modified on June 10, 2016 (see **Appendix A**).
15. The Monitor constantly receives messages and emails from Affected Customers and suppliers. Included in **Appendix B** (under seal) in a non-exhaustive list of correspondence received by the Monitor from various customers and suppliers. The Monitor believes that the email intended to Affected Customers should be sent as soon as possible.

16. The Amendments provide that Affected Customers be notified by email by the Debtor and that said email provides a link to the Notice of Customer Claim and Meeting of Creditors to be posted on the Monitor's website (see **Appendix C**).

Notice to Affected Non-Customer Creditors

17. As for the notice to the other creditors, the Amendments provide that the Monitor will send the Notice to Creditors by email and alternatively by regular mail (see **Appendix D**) and that the following documents and forms will be posted on the Monitor's website:

- Plan;
- Proxy for Creditors;
- Creditor's instructions to complete the form of Proxy;
- Proof of Claim for Creditors;
- Creditor's instruction to complete the form of Proof of Claim;
- Claims and Meeting Procedure Order; and
- Monitor's Report on the Plan.

Notice to Creditors

18. Given the large number of Affected Customers and Customer Creditors, the Notice to Creditors will be made public by way of press release rather than publication in local newspapers.

Distribution to Unsecured Creditors

19. The Plan of Arrangement filed on May 24, 2016, originally provided for a distribution of \$242,000 to Unsecured Creditors and the Affected Customers, which are estimated at \$26 million.
20. In the event that a large number of Affected Customers would have filed a proof of claim, the resulting dividend would have been insignificant, particularly for Affected Customers.
21. As amended, the Plan provides that the Affected Customers have the following options for the full and final settlement, release and discharge of a Customer Claim:

Option A: Payment of \$5.00 by cheque; or

Option B: Store Credit of \$15.00 to be issued by the Purchaser.

22. The Basket Amount of \$310,000 will be distributed as follows:
- i) First, to pay \$68,000 of the Monitor and the Debtor's outstanding professional fees and disbursements; and
 - ii) Second, to pay Employee Pre-Filing Priority Claims and Government Priority Claims, in full;
 - iii) Third, the remaining balance, if any, to pay amounts payable in respect of Customer Claims, as set forth in Section 3.2 of the Plan;
 - iv) Finally, the remaining balance (the "**Basket Balance**"), if any, shall be distributed to and shared by the holders of Affected Non-Customer Claims on a pro-rata basis as set forth in Section 3.3 of the Plan.

Claims Process and Vote on the Plan for Affected Customers

23. As mentioned above, given the large number of Affected Customers, they will be notified by email by the Debtor and said email will provide a link to the Notice of Customer Claim and Meeting of Creditors posted on the Monitor's website.
24. The Notice on the Monitor's website will provide a link to be used by Affected Customers to file a proof of claim using an online survey software capable to gather the relevant information from Affected Customers and produce reports in order to process Customers' Claims in a very efficient and cost effective manner.

25. The online survey software will also allow Affected Customers to select option A or option B for the distribution provided in the Plan and to vote on the Plan (see **Appendix E**).

CONCLUSION

26. The Monitor supports the Application made by the Debtor on June 10, 2016.

Richter Advisory Group Inc.

Monitor

A handwritten signature in black ink, appearing to read 'B. Gingues', with a stylized flourish at the end.

Benoit Gingues, CPA, CA, CIRP

APPENDIX A

Dear BTR shopper,

As you may be aware, 7098961 Canada Inc. (formerly known as Beyond the Rack) is going through a Court-supervised restructuring process through proceedings it undertook in Montreal (Canada) on March 24, 2016. We understand that for many of you, this process has taken far too long to complete and has affected too many customers.

The good news is that the website BTR.com will continue to operate – now under new ownership and as a new company. We will be re-launching shortly with a new look and feel and all your account information will be transferred to the new site.

You are receiving this communication because either (i) you placed an order with Beyond the Rack **prior to** March 24, 2016 and that merchandise is no longer available to be delivered to you or (ii) a store credit was issued to you **prior to** March 24, 2016 which you are no longer able to use.

The court-appointed monitor overseeing the restructuring process is also handling the process by which you may choose to make a claim against 7098961 Canada Inc., which can be done at the following URL:

<http://www.richter.ca/en/folder/insolvency-cases/0-9/7098961-canada-inc-customers-claim>

Please be aware that the amount that will be paid on your claim will likely only represent a small percentage of the price of the undelivered items.

If you require further information or have any questions, please contact the BTR.com customer service team by emailing service@btr.com or by calling 1-877-733-4660 weekdays from 9AM until 6PM.

[NTD: only to customers with both pre and post filing orders]Please note that this email does not relate in any way to any orders placed on or after March 24, 2016.

For those orders placed on or after March 24, 2016, BTR is actively working with its brand partners to have these orders delivered to you as quickly as possible as we return to normal delivery timeframes.

We sincerely apologize if you've been frustrated by poor service in recent months and want to assure you that the entire BTR team is committed to providing the service you deserve as we re-launch as a new company and look forward to serving you in the future.

APPENDIX B (UNDER SEAL)

APPENDIX C

CANADA

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
No.: 500-11-050409-164

SUPERIOR COURT
(Commercial Division)

**IN THE MATTER OF THE PLAN OF COMPROMISE
OF:**

**7098961 CANADA INC. (FORMERLY KNOWN AS
BEYOND THE RACK ENTERPRISES INC.)**

DEBTOR

- and -

RICHTER ADVISORY GROUP INC.

MONITOR

**NOTICE OF CUSTOMER CLAIM
AND OF THE CREDITORS' MEETING**

On March 24, 2016, the Quebec Superior Court (sitting as Tribunal designated under the Companies' Creditors Arrangement Act ("**CCAA**") (the "**Court**") issued an order granting 7098961 Canada Inc. (formerly known as Beyond The Rack Enterprises Inc.) (the "**Debtor**") protection under the CCAA. Richter Advisory Group Inc. is the Court-Appointed Monitor during the period the Order is in force.

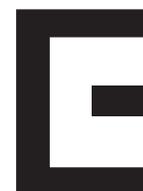
On May 24, 2016, an order was issued to approve the sale of substantially all the operating assets of the Debtor to 9721444 Canada Inc. (the "**Purchaser**") including its website BTR.com. The Purchaser has already informed Affected Customers (as defined below) that unfulfilled orders and store credits **dated prior to March 24, 2016** will not be fulfilled or honored.

On June 13, 2016, the Debtor has filed with the Court, an amended plan of compromise (the "**Plan**").

If you are a customer having either an unfulfilled order or a store credit dated prior to March 24, 2016 and an amount is owing to you ("Affected Customer"), you are entitled to file a Customer Claim (as defined in the Plan).

As stated in the Plan, the Affected Customers have the following options for the full and final settlement, release and discharge of a Customer Claim:

- Option A: Payment of \$5.00 by cheque; or
- Option B: Store Credit of \$15.00 to be issued by the Purchaser.



If you have an unfulfilled order or a store credit dated prior to March 24, 2016 and that an amount is owing to you, please refer to the following link if you wish to file a Customer Claim and select between Option A or Option B:

https://www.surveymonkey.com/r/Richter_BTR

The Claims Bar Date (as defined in the C&M Procedure Order) for all Customer Claims is 5:00 p.m. (EST) on July 18, 2016. All Customer Claims must be completed online on or before the Claims Bar Date, failing which such Customer Claims will be barred and forever extinguished.

The Plan and information relating to the CCAA proceedings are available on our website at the following link: <http://www.richter.ca/en/folder/insolvency-cases/0-9/7098961-canada-inc.>

Creditors who have submitted a Proof of Claim and proven their Claim in the manner and within the time specified in the C&M Procedure Order are invited to attend the Meeting of Creditors of the Debtor being held on August 3, 2016 at 10:00 a.m. at 1981 McGill College Avenue, 11th Floor, Montréal QC H3A 0G6. At this meeting, these Creditors will be asked to consider and vote on the Plan proposed by the Debtor pursuant to the *Companies' Creditors Arrangement Act*, whether in person or by proxy. If the Plan is approved by the required majority of Affected Creditors, a further motion will be brought before the Court on August 5, 2016 seeking the sanction of the Plan.

Affected Customers can vote on the Plan at the following link:

https://www.surveymonkey.com/r/Richter_BTR

If you require further information or have any questions, please contact the BTR.com customer service team by emailing service@btr.com or by calling 1-877-733-4660 weekdays from 9:00 am until 6:00 pm.

APPENDIX D

**IN THE MATTER OF THE PLAN OF COMPROMISE OF 7098961 CANADA INC.
(FORMERLY KNOWN AS BEYOND THE RACK ENTERPRISES INC.)**

PRESS RELEASE / NOTICE TO CREDITORS

On March 24, 2016, the Quebec Superior Court (sitting as Tribunal designated under the *Companies' Creditors Arrangement Act* ("CCAA")) (the "**Court**") issued an order granting 7098961 Canada Inc. (formerly known as Beyond The Rack Enterprises Inc.) (the "**Debtor**") protection under the CCAA (the "**Order**"). Richter Advisory Group Inc. is the Court-Appointed Monitor during the period the Order is in force (the "**Monitor**").

On May 24, 2016, an order was issued to approve the sale of substantially all the operating assets of the Debtor to 9721444 Canada Inc. (the "**Purchaser**") including its website BTR.com.

On June 13, 2016, the Debtor has filed with the Court, an Amended Plan of Compromise (the "**Plan**") in settlement of all claims existing as of March 23, 2016.

On the same day, an order was rendered (the "**C&M Procedure Order**") for the process by which all Creditors must submit their Proof of Claims to the Monitor by July 18, 2016 (the "**Claims Bar Date**") and to hold a Meeting of Creditors on August 3, 2016 in order to vote on the Plan (the "**Meeting of Creditors**").

All capitalized terms not otherwise defined in this Press Release/Notice to Creditors shall bear the meaning given to them in the C&M Procedure Order, which is posted on Richter Advisory Group Inc.'s website (the "**Monitor's Website**"), at the following address: <https://www.richter.ca/en/folder/insolvency-cases/0-9/7098961-canada-inc>.

CLAIMS PROCESS

Any Person who believes he, she, or it has a Claim against the Debtor, its Directors and/or its Officers shall submit his, her or its Claim in a Proof of Claim (which can be found on the Monitor's Website), except in the case of an Excluded Claim (which includes Claims of any Person who provided goods and/or services to the Debtor on or after March 24, 2016).

All Creditors of the Debtor must submit their Proofs of Claim to the Monitor by email, facsimile transmission, mail, registered mail or courier so that the Monitor actually receives such Proofs of Claim by no later than 5:00 p.m. (EST) on July 18, 2016, or, for Creditors with Restructuring Claims arising after July 18, 2016, ten (10) days after the date of receipt by the Creditor of a notice of resiliation, repudiation or termination of the contract, lease, employment agreement or other agreement, at the following address:

Richter Advisory Group Inc.
Court-Appointed Monitor of
7098961 Canada Inc. (formerly known as Beyond The Rack Enterprises Inc.)
1981 McGill College Avenue
Montreal (Quebec) H3A 0G6

Fax: 514-908-3797 or 1-866-773-2196
E-mail: BTR@Richter.ca

CLAIMS WHICH ARE NOT RECEIVED BY THE MONITOR BY THE CLAIMS BAR DATE WILL BE BARRED AND EXTINGUISHED FOREVER.

CREDITORS' MEETING

Creditors who have submitted a Proof of Claim and proven their Claim in the manner and within the time specified in the C&M Procedure Order are invited to attend the Meeting of Creditors of the Debtor being held on August 3, 2016 at 10:00 a.m. at 1981 McGill College Avenue, 11th Floor, Montréal QC H3A 0G6. At this meeting, these Creditors will be asked to consider and vote on the Plan proposed by the Debtor pursuant to the *Companies' Creditors Arrangement Act*, whether in person or by proxy. If the Plan is approved by the required majority of Affected Creditors, a further motion will be brought before the Court on August 5, 2016 seeking the sanction of the Plan.

The Plan, Proof of Claims, information relating to the meetings, and proxy forms for voting in respect of the Plan are available on the Monitor's Website.

Dated at Montreal, this 15th day of June 2016.

APPENDIX E

Beyond The Rack

7098961 Canada Inc. (formerly known as Beyond the Rack Enterprise Inc.)

Please review your current information on the Debtor's website [here](#)

* 1. Please provide your contact information

Name	<input type="text"/>
Address	<input type="text"/>
Address 2	<input type="text"/>
City/Town	<input type="text"/>
State/Province	<input type="text"/>
ZIP/Postal Code	<input type="text"/>
Country	<input type="text"/>
Email Address	<input type="text"/>
Phone Number	<input type="text"/>

- * **2. Store Credit (confirm amount, must relate to prior to March 24, 2016)**

- * **3. Pre-filing order (confirm amount, must relate to prior to March 24, 2016)**

- * **4. Settlement choice for the above pre-filing order and/or store credit**

- Payment of \$5.00 by cheque
- Credit note of \$15.00 to be issued by new BTR

5. Plan of Arrangement vote

- Yes
- No

Done