CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
No cour : 500-11-052107-170
No dossier : 41-2219514, 41-2219516; 41-2219518, 41-2219519

S U P E R I O R C O U R T
(Commercial Division)
Bankruptcy and Insolvency Act

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

FREEMARK APPAREL BRANDS INC.
FREEMARK APPAREL BRANDS TEC INC.
FREEMARK APPAREL BRANDS ESP INC.
FREEMARK APPAREL BRANDS USA 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

FIRST REPORT OF THE TRUSTEE
ON THE STATE OF PETITIONER'S BUSINESS AND FINANCIAL AFFAIRS
March 7, 2017

INTRODUCTION

1. On February 17, 2017, each of Freemark Apparel Brands Inc. ("FABI"), Freemark Apparel Brands TEC Inc. ("FABT"), Freemark Apparel Brands ESP Inc. ("FABE") and Freemark Apparel Brands USA Inc. ("FABU") 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 February 23, 2017, this Court ordered the joint administration of FABI's notice of intention to make a proposal with the notices of intention to make a proposal of FABT, FABE and FABU.

PURPOSE OF THIS REPORT

4. The purpose of this First Report is to provide this Court with information pertaining to:

a) The background and operations of the Debtors;

b) The Debtors' secured creditors;

c) The Debtors' cash flow projections;

d) The terms of two Asset Purchase Agreements (the "Wholesale APA" and the "Retail APA" and collectively, the "APAs") dated March 2, 2017, between FABT / FABI (collectively the "Sellers") and Scotch & Soda Retail Canada Inc. ("S&S Retail") / Scotch & Soda Export B.V. ("S&S Export"), respectively (collectively the "Purchasers") for the sale of (i) all the Scotch & Soda branded inventory; (ii) order book and customer lists for the Scotch & Soda wholesale business; (iii) (iv) the furniture and fixture of five Scotch & Soda retail stores and a Scotch & Soda showroom (the "Transaction");

e) The reasons why the Trustee is of the view that the APAs and Transaction should be approved by this Court;

f) The Trustee's recommendation that this Court make the following order(s), as requested by the Debtor;

i. approving the APAs and the Transaction, and authorizing FABT and FABI to take steps necessary to complete the Transaction;

ii. vesting, upon the closing of the Transaction, all right, title and interest of the Sellers in and to those assets of the Sellers' assets to be sold pursuant to the APAs (the "Purchased Assets") in the Purchasers free and clear of all liens, charges, security interests and other encumbrances (the "Approval and Vesting Order")

iii. following receipt of the Purchase Price (as defined in the APAs), authorizing the distribution to HSBC Bank Canada ("HSBC") of the amounts set forth in the conclusions of the Approval and Vesting Order;

iv. approving (i) the assignment to the Purchasers of FABT and FABI's rights and obligations under the Assigned Contracts (as defined in the Wholesale APA) and authorizing the Purchaser to fulfill same; and (ii) the assignment of the Assigned Leases (as defined in the Retail APA) with the consent of the relevant landlord (the "Assignment Order");

v. sealing the unredacted version of the APAs until the closing of the Transaction or upon further order of the Court;

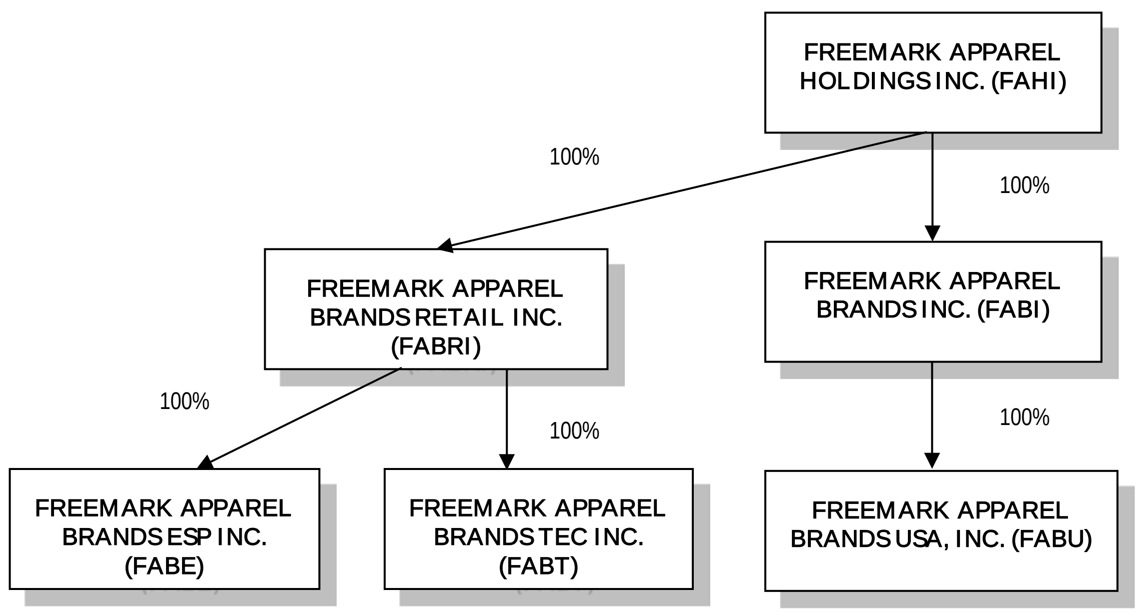
TERMS OF REFERENCE

5. In preparing this First Report, the Trustee has relied upon unaudited financial information prepared by the Debtors' representatives, the Debtors' books and records, and discussions with the Debtors' representatives and legal counsel. The Trustee has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information. Future oriented financial information reported or relied on in preparing this report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.

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

BACKGROUND AND OPERATIONS OF THE DEBTORS

7. The organizational chart for the FAB group of companies (the "FAB Group"), which includes the four Debtors subject to the NOI proceedings, can be represented as follows:



8. The FAB Group is a premier retailer of branded apparel, operating since 2004 (the "Business"). The Business is more fully described as follows:

a) FABE and FABT operate 58 retail locations throughout Canada under the following brands: Bench, Scotch & Soda, Esprit & Thread+Copper. FABT operates the Bench, Scotch & Soda and Thread+Copper stores while FABE operates the Esprit stores;

b) FABI operates the wholesale business of the FAB Group in Canada. FABI has long-standing relationships with The Bay, Simons, Winners, Saks Off 5th and many other retailers;

c) FABU operates the wholesale business of the FAB Group in the United States; and

d) FAHI is the direct and indirect parent of the Debtors. FAHI and FABRI are both holding companies with no business operations. These two entities have not filed any proceedings under the BIA.

9. The FAB Group operates its retail and wholesale business in Canada and the United States pursuant to license agreements with several world class brands based in Europe: Bench, Scotch & Soda / Amsterdam Couture, Esprit and Garcia.

10. The FAB Group operates out of a 25,000 sq. ft. head office and 100,000 sq. ft. warehouse / distribution center in Montreal (both rented facilities), and currently employs approximately 600 employees at its retail stores, DC and head office;

11. Commencing in 2014, the Debtors began experiencing a decline in both sales and profits, which accelerated into a significant downturn in 2016. Management attributes the negative trending to a number of factors including:

a) Increasing competition in the marketplace including the recent entry of International retailers not previously present in Canada;

b) Overhead cost structure not in line with the declining level of operations;

c) Unprofitability of numerous retail locations;

d) Unsuccessful launch of the Thread + Copper banner in 2016.

12. As a result of the above negative factors, the Debtors engaged Richter, as well as an operational consultant, in the Fall of 2016 in order to assist management in the development of a comprehensive restructuring plan for the business, including:

a) Headcount reductions and other overhead rationalizations;

b) Closure of unprofitable retail stores;

c) Renegotiation of high-cost leases;

d) Operational initiatives to improve retail store profitability;

e) Shift in wholesale strategy towards off-price channels.

13. The FAB Group is currently in the process of implementing this restructuring plan, including through the filing of the NOI by the Debtors.

14. The Debtors have engaged Oberfeld Snowcap, a retail lease consultant, in order to assist with negotiations of more favorable lease terms with several landlords. These discussions are on-going.

15. On February 28, 2017, the Debtors disclaimed a total of 31 store leases, held by 11 different landlords, with an effective date of March 31, 2017. These disclaimers are consistent with the Debtors' turnaround plan, and were approved by the Trustee.

SECURED LENDERS

16. The Trustee has been advised by the Debtors that it has two secured creditors:

a) HSBC;

b) FAHI, which has made secured loans to both FABI and FABT, which loans are fully subordinated to the security of HSBC.

17. The Trustee has engaged independent legal counsel who has provided the Trustee with an opinion confirming the validity and enforceability of the security granted by the Debtors in favor of HSBC.

18. On January 31, 2017, the Debtors entered into a forbearance agreement with HSBC which expired in accordance with its terms on February 17, 2017. The agreement provided for, among other items:

a) A $500,000 liquidity injection from the FAB Group shareholders; and

b) A permanent reduction of the Debtors' Operating Loan limit from $10.0M to $7.0M.

19. On February 17, 2017, the HSBC forbearance agreement was further extended to March 3, 2017. As part of the extension, the Debtor and HSBC agreed that a portion of the proceeds resulting from the Transaction would be applied as a permanent reduction to the outstanding HSBC Leasing Line, and a portion of the proceeds would be used to provide liquidity for ongoing operations.

20. In order to allow the necessary time to document the further forbearance as provided for in paragraph 21 below and close the Transaction, HSBC and the Debtors agreed to extend the forbearance by mutual consent to March 10, 2017.

21. On March 2, 2017, the Debtors and HSBC discussed the terms for a further extension of the forbearance agreement through to May 14, 2017. These discussions are premised on a closing of the Transaction, and resulting repayment of the HSBC Leasing Line and additional liquidity to the Debtors as noted in paragraph 19. An additional consideration for the forbearance is the requirement for the injection of an additional $500,000 by the FAB Shareholders, forecasted to be made in the week ending March 12, 2017 .The agreement is expected to be concluded in the next few days.

THE DEBTORS' CASH FLOW PROJECTIONS

22. On February 27, 2017, the Debtors filed with the Official Receiver a Statement of Projected Cash Flow ("Projections") together with a report pursuant to Section 50.4(2)(c) of the Act, covering the period from February 18 to March 26, 2017, which included the major Assumptions used in the preparation of the Projections. Concurrently therewith, the Trustee filed its Report on the reasonableness of the Projections in accordance with Section 50.4(2)(b) of the Act, all of which is annexed hereto as Exhibit "**A**".

23. During the period covered in the Projections, as well as subsequent weeks covered by the forecasted HSBC forbearance agreement to May 14, 2017, the Debtors are forecasting to operate within the parameters of the current Operating Line limit of $7.0M. However, it should be noted that the Debtors' ability to do so is premised upon the receipt of a portion of the proceeds from the proposed Transaction which would be available for operating liquidity.

24. Since the filing of the NOI, the Debtors have continued to operate the Business in the normal course, within the financial parameters set out in the Projections.

25. The Debtors have been paying suppliers and employees, on a timely basis, for goods and services provided subsequent to the date of the filing of the NOI.

THE PROPOSED SCOTCH & SODA TRANSACTION

26. FABI currently carries on the Scotch & Soda wholesale business in Canada pursuant to a distribution agreement entered into among FABI and S&S Export on February 1, 2008 (the "S&S Distribution Agreement"). FABI obtained an exclusive license to carry out wholesale apparel sales in respect of Scotch & Soda labeled apparel in Canada.

27. FABT currently carries on the Scotch & Soda retail business in Canada pursuant to a retail license agreement entered into among Freemark Apparel Brands Retail SS Inc. and S&S Export on February 1, 2010. The agreement was subsequently assigned to FABT upon the dissolution of the aforementioned Freemark entity. FABT obtained an exclusive license to operate retail store outlets offering Scotch & Soda apparel and related products for sale in Canada.

28. FABT operates five retail store outlets under the Scotch & Soda banner located in Laval, Toronto, Calgary, Edmonton and Richmond (collectively, the "Stores"). FABT's lease rights to the Laval and Richmond Stores are included among the Purchased Assets (defined below), and the leases applicable to the Toronto, Calgary and Edmonton locations have been disclaimed by FABT within these NOI proceedings.

29. The wholesale and retail business described in paragraphs 28 and 29 are referred herein as the "S&S Business".

30. As part of its restructuring efforts prior to filing the NOI, the Debtor held discussions with several key stakeholders, including Scotch & Soda, relative to its current financial position and its turnaround plan. Among several alternatives discussed, Scotch & Soda offered to purchase certain assets from FABI and FABT which would allow it to assume the brand's operations in Canada.

31. On February 22, 2017, FABI and FABT entered into a non-binding letter of intent with S&S Export to purchase certain assets related to the S&S Business. Scotch & Soda expressed urgency in concluding a transaction due to its concern regarding potential damage to the brand equity caused by the insolvency process.

32. The Transaction is documented in the Wholesale APA and Retail APA, but was negotiated and should be viewed as a single transaction. The following are the salient terms and conditions of the APAs agreed to by the Sellers and S&S Retail / S&S Export :

    a) The Purchasers agreed to purchase the following material assets on an "as is, where is" basis, free and clear of all encumbrances:

        i. all inventory of Scotch & Soda products owned or held by FABI and FABT;

        ii. all furniture, fixtures and leasehold improvements located in the Stores;

iii. the Scotch & Soda wholesale merchandise showroom fixtures situated at 5640 Paré Street, Montreal, Quebec;

iv. the full and detailed customer list and all customer contracts and orders with and by wholesale customers for Scotch & Soda products;

v. all of FABT's right, title and interest in the two Scotch & Soda store leases in Laval, Quebec and Richmond, British Columbia (together referred to as the "Leases");

(collectively the "Purchased Assets"), the whole as more fully appears from the APAs.

b) The current book value of Purchased Assets is summarized as follows:

i. Inventory: $2.8M;

ii. Furniture and fixtures: $0.7M; and

iii. Leasehold improvements: $1.0M.

c) The Purchased Assets do not include cash, cash equivalents or accounts receivable related to the S&S Business;

d) The aggregate purchase price payable by the Purchasers for the Purchased Assets (the "Purchase Price"), is the total of:

i. $2,225,313, plus the assumption of certain agent compensation obligations amounting to $24,687, for a total of $2,250,000; and

ii. The amount of prepaid rent related to the Assigned Leases (as defined below) (not to exceed $43,794).

e) The payment of the Purchase Price is subject to a holdback in the amount of $50,000 under the Retail APA and a holdback in the amount of $200,000 under the Wholesale APA (collectively, the "Adjustment Holdback Amounts") to be deposited in escrow, and to a price adjustment provision which can be summarized as follows:

i. Within 30 days of the Closing Date, the FABI / FABT and the Purchasers will count and agree on the book value of the inventory, furniture and fixtures as at Closing;

ii. In regards to the inventory, the Purchase Price will be decreased by any shortfall in the cost value of inventory on hand in relation to target inventory amounts set out in the APAs. The potential adjustments are determined based on inventory ageing category:

- dollar-for-dollar adjustment for shortfalls in Spring/Summer 2017 inventory;

- 40% adjustment for shortfalls in Autumn/Winter 2016 inventory;

- 10% adjustment for shortfalls in prior season inventory.

iii. In regards to the furniture and fixtures at the Stores, the Purchase Price will be decreased on a dollar-for-dollar basis if the book value of the furniture and fixtures at Closing is less than $750,000;

iv. The aggregate decrease in the Purchase Price pursuant to the adjustment provisions outlined above is limited to the Adjustment Holdback Amounts;

v. Following the determination of the purchase price adjustment, the Adjustment Holdback Amount funds held in escrow will be released to the Sellers or returned to the Purchasers, as the case may be; and

vi. Based on the provisions noted above, the maximum amount of the purchase price reduction could be $250,000. Should the maximum adjustments be triggered (which adjustments will only be determined upon Closing), the lowest potential Purchase Price for the Transaction would be $2,000,000.

f) The Transaction was scheduled to close March 6, 2017, or such later date as the parties may agree in writing (the "Closing Date").

g) The Laval and Richmond Leases to which FABT is a party as tenant shall be assigned prior to the Closing Date ("Assigned Leases"). The APA contemplates that FABT and S&S Retail shall use reasonable efforts to obtain any required consents to the assignment to S&S Retail of the Assigned Leases. Negotiations are ongoing between the Sellers and the relevant landlords. As provided under the Retail APA, landlord consents to the assignment of the Leases must be obtained for the Leases to become Assigned Leases.

h) The Trustee has been advised by the Sellers that S&S Retail intends to continue employing substantially all of the store employees for the Laval and Richmond locations. FABI's head office employees who work exclusively in the S&S wholesale business will be terminated prior to the Closing Date, however we understand that the Purchasers intend to offer employment to several of these individuals;

i) The Transaction is conditional on the Court issuing the Approval and Vesting Order.

ALTERNATIVES TO THE TRANSACTION

33. In order to advise the Court as to the reasonableness of the Transaction, the Trustee reviewed the following potential alternatives to the Transaction:

    a) A sale of the S&S Business to another party on a going concern basis;

    b) The orderly liquidation of assets to be sold as part of the Transaction.

34. The Trustee concluded that a marketing of the Scotch & Soda assets as a going concern would be unlikely to result in proceeds in excess of the Transaction as a result of:

    a) A review of management's segmented financial results, which appear to be prepared on a reasonable basis, reflect net earnings for the fiscal year ended June 30, 2016 of only $771K, prior to the allocation of any shared overhead expenses;

    b) The Debtor currently owes approximately $2.3M to Scotch & Soda for payments pursuant to the license agreements. Such arrears would need to be cured in order to assign the license agreements to a potential going concern purchaser, representing a substantial deduction from any potential alternative purchase price.

    c) The Debtors do not currently have sufficient inventory on hand, or sufficient liquidity to purchase additional inventory required in order to continue operating the S&S Business in the manner required under the license agreements during the period needed to pursue alternative purchasers.

    d) The sale as a going concern would require the potential purchaser to negotiate a new license with Scotch & Soda, which could entail delays, and therefore additional costs, assuming that such a license is granted.

35. Although the Trustee has not obtained liquidation proposals for the Debtors' inventory included in the Transaction, based on the Trustee's previous experience in retail liquidation sales, preliminary discussions with a retail appraiser engaged by the Debtors (Tiger Group), and the current mix of retail and wholesale Scotch & Soda branded inventory, an estimate of potential recoveries in a liquidation scenario can be summarized as follows:

Estimated Liquidation Proceeds ($000's)	**Book Value**	**Realization %**	**Realization $**
Inventory	$ 2,804	70%	**$ 1,954**
Fixtures	667	10%	**67**
Leasehold Improvements	992	0%	**-**
	$ 4,463		**$ 2,021**

36. The Trustee also has been in contact with the retail lease consultant engaged by the Debtor, who indicated that there is limited value, estimated at $100,000 prior to any realization costs, in the two Leases to be assumed by the Purchasers as part of the Transaction.

37. It should be noted that the above recovery, which is comparable to the net proceeds from the Transaction ($2.0M minimum Purchase Price after potential purchase price adjustments), is subject to higher execution risk of a 13 to 15 week liquidation process vs. cash proceeds on the Closing Date of the Transaction.

38. Furthermore, there exists a risk that Scotch & Soda could challenge the efforts to liquidate its branded products in the market, citing a violation of the license agreement.

CONCLUSIONS AND RECOMMENDATIONS

39. For the reasons outlined in the prior section, the Trustee is of the view that a better offer for the Purchased Assets would not likely be obtained through a liquidation of the Purchased Assets or a more thorough sale process taking into account the liquidation costs, the delays and the uncertainty.

40. The Trustee has also considered the following factors in its assessment of the proposed Transaction:

   a) The Transaction will provide the Debtors with liquidity, which is required in order for the Debtors to continue operating the Business in the normal course, and attempt to implement their turnaround plan for the benefit of all stakeholders;

   b) Closing the Transaction is a condition for the conclusion of a forbearance agreement with HSBC extending through May 14, 2017. HSBC’s continued support is required in order for the Debtors to pursue their restructuring efforts;

   c) HSBC supports the Transaction and will see its secured indebtedness reduced;

   d) FAHI supports the Transaction despite the fact that the purchase price will be insufficient to repay in full HSBC and thus it will not receive any proceeds from the Transaction;

   e) The Transaction provides for the on-going operations of two Scotch & Soda stores, and certain local support functions, to the benefit of employees, suppliers and landlords; and

   f) It is urgent to proceed with the Transaction given that (i) the APAs require the Transaction to close by March 6, 2017 or as soon as possible thereafter, due to concerns about the negative impact to the brand from extended association with the insolvency process, (ii) the FAB Group requires the liquidity from the Transaction to pursue its restructuring, as noted above.

41. The Trustee has reviewed the commercial terms of the APAs, considers the price being paid to be fair and therefore supports the Transaction as proposed.

Respectfully submitted at Montreal, this 7th day of March 2017.

Richter Advisory Group Inc.
Trustee

Eric Barbieri, CPA, CA

Andrew Adessky, CPA, CA, CIRP, LIT

EXHIBIT A

District of: Québec
Division No.: 01-Montréal
Court No.: 500-11-052107-170
Estate No.: 41-2219514, 41-2219516
41-2219518, 41-2219519

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 Inc., Freemark Apparel Brands ESP Inc., Freemark Apparel Brands TEC Inc.
and Freemark Apparel Brands USA, Inc. "Debtors"
Of the City of Montréal
In the Province of Québec

The attached statement of projected cash flow of the Debtors as of the 24th day of February 2017, consisting of the period from February 18 to March 26, 2017, 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 Québec, this 27th day February 2017.

Richter Advisory Group Inc - Trustee
Per:

Andrew Adessky, CPA. CA, CIRP, LIT
1981 McGill College, 12th Floor
Montréal QC H3A 0G6
Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Québec
Division No.: 01-Montréal
Court No.: 500-11-052107-170
Estate No.: 41-2219514, 41-2219516
41-2219518, 41-2219519

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 Inc., Freemark Apparel Brands Inc., Freemark Apparel Brands ESP Inc.,
Freemark Apparel Brands TEC Inc. and Freemark Apparel Brands USA, Inc. "Debtors"
Of the City of Montréal
In the Province of Québec

Purpose:
The Debtors filed Notice of Intention to Make a Proposal on February 17, 2017. 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 from February 18 to March 26, 2017, relating to the filing of a Notice of Intention to Make a Proposal on February 17, 2017.
This Statement of Projected Cash Flow has been prepared by management on February 24, 2017, 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 from February 18 to March 26, 2017, 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;
Scotch & Soda Sale Proceeds are based on best estimates of the Company and advanced discussions with Scotch & Soda.
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 27th day February 2017.

Richter Advisory Group Inc - Trustee
Per:

Andrew Adessky, CPA. CA, CIRP, LIT
1981 McGill College, 12th Floor
Montréal QC H3A 0G6
Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Quebec
Division No.: 01-Montréal
Court No.: 500-11-052107-170
Estate No.: 41-2219514, 41-2219516
41-2219518, 41-2219519

- 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 Inc., Freemark Apparel Brands ESP Inc., Freemark Apparel Brands TEC Inc.
and Freemark Apparel Brands USA, Inc. "Debtors"
Of the City of Montréal
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 24th day of February 2017, consisting of the period from February 18 to March 26, 2017.

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 Montréal, in the Province of Québec, this 27th day of February 2017.

Howard Schnider

Freemark Apparel Brands Inc.
Freemark Apparel Brands ESP Inc.
Freemark Apparel Brands TEC Inc.
Freemark Apparel Brands USA, Inc.
Debtors

HOWARD SCHNIDER CFO.
Name and title of signing officer

District of: Quebec
Division No.: 01-Montréal
Court No.: 500-11-052107-170
Estate No.: 41-2219514, 41-2219516
41-2219518, 41-2219519

- 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 Inc., Freemark Apparel Brands ESP Inc., Freemark Apparel Brands TEC Inc.
and Freemark Apparel Brands USA, Inc. "Debtors"
Of the City of Montréal
In the Province of Québec

Purpose:

The Debtors filed Notice of Intention to Make a Proposal on February 17, 2017. 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 from February 18 to March 26, 2017, relating to the filing of a Notice of Intention to Make a Proposal on February 17, 2017.
This Statement of Projected Cash Flow has been prepared by management on February 24, 2017, 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 from February 18 to March 26, 2017, 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;
Scotch & Soda Sale Proceeds are based on best estimates of the Company and advanced discussions with Scotch & Soda.
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 Québec, this 27th day of February 2017.

Howard Schneider

Freemark Apparel Brands Inc.
Freemark Apparel Brands ESP Inc.
Freemark Apparel Brands TEC Inc.
Freemark Apparel Brands USA, Inc.
Debtors

HOWARD SCHNIDER CFO
Name and title of signing officer

District of : Québec
Division No. : 01-Montréal
No cour : 500-11-052107-170
No dossier : 41-2219514, 41-2219516;
41-2219518, 41-2219519

Statement of Combined Projected Cash Flow for:
Freemark Apparel Brands Inc.
Freemark Apparel Brands TEC Inc.
Freemark Apparel Brands ESP Inc.
Freemark Apparel Brands USA Inc.

Weekly Cash Flow ($000's) Week Ending	Week 1 26-Feb	Week 2 05-Mar	Week 3 12-Mar	Week 4 19-Mar	Week 5 26-Mar	5 Weeks Total
Collections						
Retail	$ 893	$ 824	$ 923	$ 874	$ 874	[redacted]
Wholesale	105	25	372	357	620	
	999	849	1,295	1,230	1,493	
Operating Disbursements						
Purchases	(36)	(15)	(246)	(681)	(310)	
Operational expenses	(30)	(217)	(254)	(189)	(119)	
Freight & Buying Commissions	-	-	(17)	(48)	(23)	
Duty	-	(79)	(44)	(121)	(59)	
Payroll	(765)	(3)	(626)	(221)	(577)	
Rent	-	(1,205)	-	-	(40)	
Royalties	-	-	-	-	(51)	
Commissions	(61)	-	-	(73)	-	
Insurance	(113)	-	-	(74)	-	
Sales Taxes	-	(323)	-	-	(241)	
	(1,006)	(1,842)	(1,187)	(1,406)	(1,419)	
Net Operating Cash Flow	(7)	(993)	108	(176)	74	
Non-Operating Receipts (Disbursements)						
Professional Fees	(80)	(180)	(191)	(183)	(103)	
Interest	(8)	(21)	-	-	-	
Capital Leases	(74)	(1,343)	(82)	(82)	(55)	
Scotch & Soda Sale Proceeds	-	2,000	-	-	-	
	(162)	456	(273)	(265)	(159)	
Net Cash Flow	(170)	(537)	(165)	(441)	(85)	
Opening Bank Indebtedness						
Opening Line of Credit	(5,111)	(5,281)	(5,817)	(5,982)	(6,423)	
Standby LC	(388)	(388)	(388)	(388)	(388)	
Total Opening Bank Indebtedness	(5,499)	(5,669)	(6,205)	(6,370)	(6,811)	
Ending Bank Indebtedness						
Ending Line of Credit	(5,281)	(5,817)	(5,982)	(6,423)	(6,508)	
Standby LC	(388)	(388)	(388)	(388)	(388)	
Total Ending Bank Indebtedness	$ (5,669)	$ (6,205)	$ (6,370)	$ (6,811)	$ (6,896)	

Howard Schnider

Howard Schnider, CFO

Date February 27, 2017