

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

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

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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**

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**THIRD REPORT OF THE TRUSTEE  
ON THE STATE OF PETITIONER'S BUSINESS AND FINANCIAL AFFAIRS  
April 25, 2017**

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**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. The Debtors are a premier retailer of branded apparel which, through the various entities at the time of the filing, operated 58 retail locations throughout Canada under the brands Bench, Scotch & Soda, Esprit and Thread + Copper. In addition, certain entities operate the wholesale business in Canada and the United States. The Debtors operate their retail and wholesale businesses pursuant to various license agreements.

3. The Debtors' head office and principal distribution center are located in Montreal and at the time of filing, the Debtors employed approximately 600 employees at its head office, distribution center and retail stores.
4. 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.
5. 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.
6. On March 8, 2017, this Court issued the Approval and Vesting Order authorizing FABI and FABT to sell certain assets (the "Transaction") as more fully described in the Trustee's First Report to Court dated March 7, 2017 ("First Report").
7. On March 14, 2017, the Trustee issued its Second Report to Court ("Second Report").
8. On March 16, 2017, this Court issued an Order extending the delay granted to the Debtors to file a Proposal until April 28, 2017.
9. On March 16, 2017, this Court issued an Order approving and authorizing a Sale and Investor Solicitation Process (the "SISP").
10. On April 24, 2017, the Debtors filed the Second Motion for an Extension of Time to File a Proposal (the "Motion to Extend") which will be heard on April 27, 2017.

#### **PURPOSE OF THIS REPORT**

11. The purpose of this Third Report is to provide this Court with information pertaining to:
  - The Debtors' results of operations;
  - Statement of Projected Cash Flow;
  - The Debtors' restructuring initiatives;
  - The progress of the SISP;
  - The Motion to Extend.

## TERMS OF REFERENCE

12. In order to monitor the affairs and finances of the Debtors, the Trustee has been provided with access to the books, records and other important documents of the Debtors.
13. In preparing this Third 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.
14. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

## RESULTS OF OPERATIONS

15. The Trustee has compared the reported results to those projections dated March 13, 2017 and presented by the Debtors in support of the First Motion for an Extension of Time to file a Proposal. These projections, covering the period of March 6 to May 14, 2017, were included as Exhibit E to the Second Report. A cumulative summary of reported vs. projected results for the 6-weeks ended April 16, 2017 is annexed hereto as **Exhibit "A"**. We comment as follows:
  - Cash receipts for the 6 weeks ended April 16, 2017 amounted to approximately \$6.5 million, which was slightly above forecast. A \$866,000 favorable variance in wholesale collections was partly offset by an \$820,000 shortfall in retail receipts;
  - Operating disbursements were approximately \$1.6 million favorable to forecast, due primarily to timing variances related to merchandise purchases, operating expenses, freight and duty. In addition, the Company reported a \$351,000 favorable rent variance in the period owing to favorable payment terms for certain renegotiated leases (rent payments based on % of sales are due after month-end as opposed to the 1<sup>st</sup> of each month), as well as a \$70,000 rent refund received as part of the Transaction;
  - Non-operating receipts and disbursements reflect a positive timing variance of \$266,000, related primarily to professional fee disbursements;
  - As a result of the favorable disbursement timing variances noted above (a material portion of which may reverse in upcoming weeks), the \$5.0 million reported ending bank indebtedness as at April 16, 2017 is \$1.9 million lower than projected.

16. Considering the filing of the NOI and the restructuring initiatives described below, the Debtors have been operating the business in the normal course since the filing of the NOI, including securing the cooperation of all major merchandise vendors and purchasing replenishment inventory on a COD basis. The Debtors advise they have been paying their creditors, including suppliers and employees, on a timely basis, for all goods and services provided subsequent to the date of the filing of the NOI.

#### **STATEMENT OF PROJECTED CASH FLOW**

17. The Debtors have prepared an updated Statement of Projected Cash Flow (the "Projection") covering the period from April 17 to June 18, 2017 (the "Period"). This Projection, together with the report pursuant to Section 50.4(2)(c) of the Act, which includes the major Assumptions used in the preparation of the Projection has been filed with the Official Receiver. Concurrently therewith, the Trustee filed its Report on the reasonableness of the Projection in accordance with Section 50.4(2)(b) of the Act, all of which is annexed hereto as **Exhibit "B"**;
18. The Projection has been prepared on the basis of normal course operations of the business, supported by bank financing under the current terms and conditions, during the entire Period. The Projection reflects that the Debtors will have sufficient liquidity to continue operating the business in the normal course, paying suppliers, employees, financing costs and restructuring expenses on a timely basis as incurred through June 18, 2017.
19. However, there are two significant factors which could result in a material change to the operations of the Debtors during the Period, the impact of which is undetermined at this time:
  - The SISP is expected to be concluded by May 19, 2017 (see further details in a subsequent section of this report), which may result in the sale of all or a portion of the FAB Group's assets, or alternatively in an investment in or a re-financing of the business;
  - On March 13, 2017, the Debtors entered into a Restated Forbearance Agreement with HSBC Bank Canada ("HSBC") which expires on May 19, 2017.
20. Should a transaction pursuant to the SISP materialize and/or the status of the credit facility with HSBC change, and such event results in a material modification to the operations and, by extension, to the financial results of the business, the Trustee will immediately advise the Court and, with the assistance of the Debtors, submit a revised Statement of Projected Cash Flow forthwith.

## **RESTRUCTURING INITIATIVES**

21. As noted in the First and Second Reports, in the initial 30 days following the NOI filing, the Debtors implemented the following measures in connection with their restructuring:
- Disclaimer of 31 store leases with an effective date of March 31, 2017 (20 Bench, 6 Thread + Copper, 3 Scotch & Soda, 2 Esprit);
  - Initiation of the wind-down and liquidation process for the Thread + Copper stores;
  - Implementation of certain forbearance agreements with HSBC, the latest of which was entered into March 13, 2017 and extends through May 19, 2017;
  - Conclusion of the Transaction for the sale of Scotch & Soda assets resulting in net proceeds of \$2.0 million.
22. During the First Extension of Time to file a Proposal, the Debtors continued to carry out the implementation of various restructuring initiatives, including:
- Closure of 5 Bench locations effective March 31, 2017, and renegotiation of favorable short term lease arrangements for the 15 other Bench stores for which leases had been disclaimed. Most of these lease amendments provide for rental payments as a percentage of sales, and terminate on January 31, 2018;
  - Closure of 6 Thread + Copper locations effective March 31, 2017, and disclaimer of the leases for 4 additional stores. The wind-down of the Thread +Copper operations is expected to be completed by April 30, 2017 when these remaining 4 stores are scheduled to close;
  - Renegotiation of lease terms for the 2 Esprit stores in respect of which leases had been disclaimed to provide for the payment of percentage rent only.

## **SALE AND INVESTMENT SOLICITATION PROCESS**

23. Pursuant to an Order of this Court, the Trustee, with the assistance of the Debtors and HSBC, initiated a process to identify parties interested in acquiring or investing in all or a portion of the Debtors' business as well as to seek offers from liquidators in the event that a going concern restructuring is not feasible, the whole to maximize realization for all stakeholders.

24. The SISP was launched on March 21, 2017 through the issuance of a teaser letter to approximately 75 potential interested parties and the opening of a virtual data room by the Trustee. The various deadlines communicated to interested parties were as follows:
- Deadline for submission of offers to the Trustee: April 21, 2017;
  - Selection of offer and communication of such to Qualified Bidders: April 26, 2017;and
  - Closing of the transaction(s): on or about May 12, 2017.
25. In order to provide additional time for the various interested parties to complete their due diligence and submit their highest and best offer for the benefit of all stakeholders, the Debtors, with the consent of the Trustee and HSBC, extended the deadlines noted above by one week. On April 14, 2017, the Trustee communicated the following revised deadlines directly to all parties which had signed a Non-Disclosure Agreement and demonstrated interested in potentially submitting a bid:
- Deadline for submission of offers to the Trustee: April 28, 2017;
  - Selection of offer and communication of such to Qualified Bidders: May 3, 2017;and
  - Closing of the transaction(s): on or about May 19, 2017.
26. The Trustee, with the assistance of the Debtors, continues to engage with several interested parties, to manage information posted to the virtual data room, and to provide responses to various due diligence enquiries and data requests made by potential bidders.

#### **MOTION TO EXTEND**

27. The Debtors are filing a Second Motion to Extend the Delay for the Filing of a Proposal, in order to allow them to proceed with the completion of the SISP and the conclusion of a resulting transaction, as well as pursue other restructuring initiatives, the whole to maximize realization for all stakeholders and permit them to file a Proposal to their creditors.
28. The Debtor's secured creditors, HSBC and FAHI, have been notified and consent to the requested extension in support the Debtors' reorganization efforts.
29. The Statement of Projected Cash Flow indicates that, subject to the factors noted above, the Debtors will have sufficient liquidity to continue operating the business in the normal course during the extension period.

30. The Statement of Projected Cash Flow indicates that, subject to the factors noted above, the Debtors will have sufficient liquidity to continue operating the business in the normal course during the extension period.
31. Based on the information available to the Trustee, the Trustee does not believe that any creditor would suffer a material prejudice in the event that the stay of proceedings is extended as requested by the Debtors.
32. In the event that the extension is not granted and a Bankruptcy ensues, the reorganization efforts of the businesses would likely be negatively impacted. Given the quantum of the secured debts, any disruption to the restructuring initiatives would significantly reduce the likelihood of the Debtors being in a position to present a Proposal to their unsecured creditors. Consequently, the creditors' best opportunity to maximize recovery in this matter is to allow the Debtors the time they require to continue their reorganization efforts and attempt to formulate a Proposal.
33. The Debtors have acted and continue to act in good faith and with due diligence.
34. Given the foregoing, the Trustee hereby recommends the granting of the extension by the Court to June 12, 2017.

Respectfully submitted at Montreal, this 25<sup>th</sup> day of April 2017.

**Richter Advisory Group Inc.**  
Trustee



Eric Barbieri, CPA, CA, CIRP



Andrew Adessky, CPA, CA, CIRP, LIT

## **Exhibit A**

**Freemark Apparel Brands Inc.**  
**Freemark Apparel Brands TEC Inc.**  
**Freemark Apparel Brands ESP Inc.**  
**Freemark Apparel Brands USA Inc.**

<b>Cash Flow Statement</b>	<b>Cumulative</b>		
<b>(\$000's)</b>	<b>For the 6 Week Period Ending</b>		
	<b>April 16, 2017</b>		
	<b>Reported</b>	<b>Projections</b>	<b>Variance</b>
<b>Collections</b>			
Retail	\$ 3,701	\$ 4,521	\$ (820)
Wholesale	2,774	1,907	866
	<b>6,474</b>	<b>6,428</b>	<b>46</b>
<b>Operating Disbursements</b>			
Purchases	(1,920)	(2,449)	529
Operating expenses	(634)	(1,132)	497
Freight & Buying Commissions	-	(108)	108
Duty	(106)	(265)	158
Samples	(114)	-	(114)
Payroll	(2,201)	(2,101)	(101)
Rent	(386)	(737)	351
Royalties	-	(51)	51
Commissions	(124)	(108)	(16)
Insurance	(79)	(74)	(5)
Sales Taxes	(110)	(241)	131
Deposits	(86)	(110)	24
	<b>(5,761)</b>	<b>(7,376)</b>	<b>1,615</b>
<b>Net Operating Cash Flow</b>	<b>714</b>	<b>(948)</b>	<b>1,661</b>
<b>Non-Operating (Disbursements) / Receipts</b>			
Capex	(6)	(15)	9
Professional Fees	(604)	(841)	237
Interest	(75)	(16)	(59)
Capital Leases	(1,677)	(1,723)	46
Scotch & Soda Sale	2,000	2,000	-
Shareholder Loan	500	500	-
Foreign Exchange (Loss) gain	32	-	32
	<b>170</b>	<b>(96)</b>	<b>266</b>
<b>Net Cash Flow</b>	<b>884</b>	<b>(1,043)</b>	<b>1,927</b>
<b>Opening Bank Indebtedness</b>			
Opening Line of Credit	(5,799)	(5,799)	(0)
Standby LC	(388)	(388)	-
<b>Total Opening Bank Indebtedness</b>	<b>(6,187)</b>	<b>(6,187)</b>	<b>(0)</b>
<b>Ending Bank Indebtedness</b>			
Ending Line of Credit	(4,915)	(6,842)	1,927
Standby LC	(40)	(40)	-
<b>Total Ending Bank Indebtedness</b>	<b>\$ (4,955)</b>	<b>\$ (6,882)</b>	<b>1,927</b>

## **Exhibit B**

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.**

<b>Weekly Cash Flow</b> <b>(\$000's)</b>	<b>Week Ending</b>	<b>Week 1</b> <b>23-Apr</b>	<b>Week 2</b> <b>30-Apr</b>	<b>Week 3</b> <b>07-May</b>	<b>Week 4</b> <b>14-May</b>	<b>Week 5</b> <b>21-May</b>	<b>Week 6</b> <b>28-May</b>	<b>Week 7</b> <b>04-Jun</b>	<b>Week 8</b> <b>11-Jun</b>	<b>Week 9</b> <b>18-Jun</b>	<b>9-Week</b> <b>Total</b>
<b>Collections</b>											
Retail		\$ 642	\$ 596	\$ 689	\$ 803	\$ 803	\$ 803	\$ 718	\$ 614	\$ 614	\$ 6,282
Wholesale		1,151	159	193	197	255	390	468	468	546	3,827
		<b>1,793</b>	<b>755</b>	<b>882</b>	<b>1,000</b>	<b>1,057</b>	<b>1,193</b>	<b>1,186</b>	<b>1,082</b>	<b>1,160</b>	<b>10,109</b>
<b>Operating Disbursements</b>											
Purchases		(570)	(324)	(204)	(80)	(500)	(410)	(321)	(524)	(474)	(3,407)
Operational Expenses		(142)	(272)	(165)	(117)	(142)	(137)	(76)	(88)	(85)	(1,225)
Freight & Buying Commissions		(40)	(23)	(14)	(6)	(35)	(29)	(22)	(37)	(33)	(239)
Duty on purchases		-	(540)	(36)	(14)	(88)	(73)	(57)	(93)	(84)	(985)
Samples		-	(52)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(143)
Payroll		(484)	-	(484)	-	(644)	-	(484)	-	(620)	(2,715)
Rent		-	-	(724)	-	-	-	(631)	-	-	(1,355)
Royalties		-	-	-	-	(51)	-	-	-	(61)	(112)
Commissions		-	-	-	-	(125)	-	-	-	(46)	(172)
Insurance		-	-	-	(17)	-	-	-	-	-	(17)
Sales Taxes		-	-	(41)	-	-	-	(268)	-	-	(309)
		<b>(1,236)</b>	<b>(1,211)</b>	<b>(1,681)</b>	<b>(247)</b>	<b>(1,598)</b>	<b>(661)</b>	<b>(1,872)</b>	<b>(755)</b>	<b>(1,417)</b>	<b>(10,679)</b>
<b>Net Operating Cash Flow</b>		<b>558</b>	<b>(457)</b>	<b>(799)</b>	<b>753</b>	<b>(541)</b>	<b>532</b>	<b>(686)</b>	<b>327</b>	<b>(257)</b>	<b>(570)</b>
<b>Non-Operating Disbursements</b>											
Capex		-	-	-	(15)	-	-	(15)	-	-	(30)
Professional Fees		(117)	(331)	(121)	(53)	(53)	(53)	-	-	-	(728)
Interest		-	-	(24)	-	-	-	(24)	-	-	(47)
Capital Leases		(84)	(65)	(65)	(96)	(57)	(23)	(40)	(71)	(77)	(576)
		<b>(201)</b>	<b>(396)</b>	<b>(210)</b>	<b>(164)</b>	<b>(110)</b>	<b>(76)</b>	<b>(79)</b>	<b>(71)</b>	<b>(77)</b>	<b>(1,381)</b>
<b>Net Cash Flow</b>		<b>357</b>	<b>(852)</b>	<b>(1,008)</b>	<b>589</b>	<b>(650)</b>	<b>456</b>	<b>(765)</b>	<b>256</b>	<b>(334)</b>	<b>(1,951)</b>
<b>Opening Bank Indebtedness</b>											
Opening Line of Credit		(4,915)	(4,558)	(5,410)	(6,418)	(5,829)	(6,480)	(6,023)	(6,788)	(6,532)	(4,915)
Standby LC		(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)
<b>Total Opening Bank Indebtedness</b>		<b>(4,955)</b>	<b>(4,598)</b>	<b>(5,450)</b>	<b>(6,458)</b>	<b>(5,869)</b>	<b>(6,520)</b>	<b>(6,063)</b>	<b>(6,828)</b>	<b>(6,572)</b>	<b>(4,955)</b>
<b>Ending Bank Indebtedness</b>											
Ending Line of Credit		(4,558)	(5,410)	(6,418)	(5,829)	(6,480)	(6,023)	(6,788)	(6,532)	(6,866)	(6,866)
Standby LC		(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)
<b>Total Ending Bank Indebtedness</b>		<b>\$ (4,598)</b>	<b>\$ (5,450)</b>	<b>\$ (6,458)</b>	<b>\$ (5,869)</b>	<b>\$ (6,520)</b>	<b>\$ (6,063)</b>	<b>\$ (6,828)</b>	<b>\$ (6,572)</b>	<b>\$ (6,906)</b>	<b>\$ (6,906)</b>
Maximum Bank Indebtedness		\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000
Ending Bank Indebtedness		(4,598)	(5,450)	(6,458)	(5,869)	(6,520)	(6,063)	(6,828)	(6,572)	(6,906)	(6,906)
<b>Surplus/(Shortfall)</b>		<b>\$ 2,402</b>	<b>\$ 1,550</b>	<b>\$ 542</b>	<b>\$ 1,131</b>	<b>\$ 480</b>	<b>\$ 937</b>	<b>\$ 172</b>	<b>\$ 428</b>	<b>\$ 94</b>	<b>\$ 94</b>

Howard Schnider, CFO

Date

District of: Québec  
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 Notices 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. the "**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 24<sup>th</sup> day of April 2017, consisting of the period from April 17 to June 18, 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 24<sup>th</sup> day of April 2017.

  
\_\_\_\_\_  
Freemark Apparel Brands Inc.  
Freemark Apparel Brands ESP Inc.,  
Freemark Apparel Brands TEC Inc.  
And Freemark Apparel Brands USA, Inc.  
Debtors

Howard Schnider, CFO

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

District of: Québec  
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 Notices 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. the "Debtors"  
Of the City of Montréal  
In the Province of Québec

**Purpose:**

The Debtors filed a 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 April 17 to June 18, 2017, 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 April 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 April 17 to June 18, 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, the Sale and Investor Solicitation Process and the 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 Québec, this 24<sup>th</sup> day of April 2017.

  
Freemark Apparel Brands Inc.  
Freemark Apparel Brands ESP Inc.,  
Freemark Apparel Brands TEC Inc.  
And 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  
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 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 23-Apr	Week 2 30-Apr	Week 3 07-May	Week 4 14-May	Week 5 21-May	Week 6 28-May	Week 7 04-Jun	Week 8 11-Jun	Week 9 18-Jun	9-Week Total
<b>Collections</b>											
Retail		\$ 642	\$ 596	\$ 689	\$ 803	\$ 803	\$ 803	\$ 718	\$ 614	\$ 614	\$ 6,282
Wholesale		1,151	159	193	197	255	390	468	468	546	3,827
		<b>1,793</b>	<b>755</b>	<b>882</b>	<b>1,000</b>	<b>1,057</b>	<b>1,193</b>	<b>1,186</b>	<b>1,082</b>	<b>1,160</b>	<b>10,109</b>
<b>Operating Disbursements</b>											
Purchases		(570)	(324)	(204)	(80)	(500)	(410)	(321)	(524)	(474)	(3,407)
Operational Expenses		(142)	(272)	(165)	(117)	(142)	(137)	(76)	(88)	(85)	(1,225)
Freight & Buying Commissions		(40)	(23)	(14)	(6)	(35)	(29)	(22)	(37)	(33)	(239)
Duty on purchases		-	(540)	(36)	(14)	(88)	(73)	(57)	(93)	(84)	(985)
Samples		-	(52)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(143)
Payroll		(484)	-	(484)	-	(644)	-	(484)	-	(620)	(2,715)
Rent		-	-	(724)	-	-	-	(631)	-	-	(1,355)
Royalties		-	-	-	-	(51)	-	-	-	(61)	(112)
Commissions		-	-	-	-	(125)	-	-	-	(46)	(172)
Insurance		-	-	-	(17)	-	-	-	-	-	(17)
Sales Taxes		-	-	(41)	-	-	-	(268)	-	-	(309)
		<b>(1,236)</b>	<b>(1,211)</b>	<b>(1,681)</b>	<b>(247)</b>	<b>(1,598)</b>	<b>(661)</b>	<b>(1,872)</b>	<b>(755)</b>	<b>(1,417)</b>	<b>(10,679)</b>
<b>Net Operating Cash Flow</b>		<b>558</b>	<b>(457)</b>	<b>(799)</b>	<b>753</b>	<b>(541)</b>	<b>532</b>	<b>(686)</b>	<b>327</b>	<b>(257)</b>	<b>(570)</b>
<b>Non-Operating Disbursements</b>											
Capex		-	-	-	(15)	-	-	(15)	-	-	(30)
Professional Fees		(117)	(331)	(121)	(53)	(53)	(53)	-	-	-	(728)
Interest		-	-	(24)	-	-	-	(24)	-	-	(47)
Capital Leases		(84)	(65)	(65)	(96)	(57)	(23)	(40)	(71)	(77)	(576)
		<b>(201)</b>	<b>(396)</b>	<b>(210)</b>	<b>(164)</b>	<b>(110)</b>	<b>(76)</b>	<b>(79)</b>	<b>(71)</b>	<b>(77)</b>	<b>(1,381)</b>
<b>Net Cash Flow</b>		<b>357</b>	<b>(852)</b>	<b>(1,008)</b>	<b>589</b>	<b>(650)</b>	<b>456</b>	<b>(765)</b>	<b>256</b>	<b>(334)</b>	<b>(1,951)</b>
<b>Opening Bank Indebtedness</b>											
Opening Line of Credit		(4,915)	(4,558)	(5,410)	(6,418)	(5,829)	(6,480)	(6,023)	(6,788)	(6,532)	(4,915)
Standby LC		(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)
<b>Total Opening Bank Indebtedness</b>		<b>(4,955)</b>	<b>(4,598)</b>	<b>(5,450)</b>	<b>(6,458)</b>	<b>(5,869)</b>	<b>(6,520)</b>	<b>(6,063)</b>	<b>(6,828)</b>	<b>(6,572)</b>	<b>(4,955)</b>
<b>Ending Bank Indebtedness</b>											
Ending Line of Credit		(4,558)	(5,410)	(6,418)	(5,829)	(6,480)	(6,023)	(6,788)	(6,532)	(6,866)	(6,866)
Standby LC		(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)
<b>Total Ending Bank Indebtedness</b>		<b>\$ (4,598)</b>	<b>\$ (5,450)</b>	<b>\$ (6,458)</b>	<b>\$ (5,869)</b>	<b>\$ (6,520)</b>	<b>\$ (6,063)</b>	<b>\$ (6,828)</b>	<b>\$ (6,572)</b>	<b>\$ (6,906)</b>	<b>\$ (6,906)</b>
Maximum Bank Indebtedness		\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000
Ending Bank Indebtedness		(4,598)	(5,450)	(6,458)	(5,869)	(6,520)	(6,063)	(6,828)	(6,572)	(6,906)	(6,906)
<b>Surplus/(Shortfall)</b>		<b>\$ 2,402</b>	<b>\$ 1,550</b>	<b>\$ 542</b>	<b>\$ 1,131</b>	<b>\$ 480</b>	<b>\$ 937</b>	<b>\$ 172</b>	<b>\$ 428</b>	<b>\$ 94</b>	<b>\$ 94</b>

*Howard Schnider*  
 Howard Schnider, CFO

*April 24, 2017*  
 Date

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 Notices 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. the "**Debtors**"  
Of the City of Montréal  
In the Province of Québec

The attached statement of projected cash flow of the Debtors, as of the 24<sup>th</sup> day of April 2017, consisting of the period from April 17 to June 18, 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 24<sup>th</sup> day April 2017.

Richter Advisory Group Inc. - Trustee  
Per:



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Andrew Adessky, CPA, CA, CIRP, LIT  
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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 Notices 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. the "Debtors"  
Of the City of Montréal  
In the Province of Québec

**Purpose:**

The Debtors filed a 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 April 17 to June 18, 2017, 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 April 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 April 17 to June 18, 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, the Sale and Investor Solicitation Process and the restructuring;

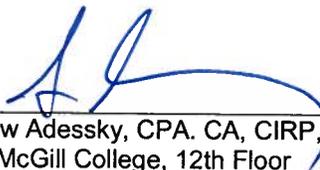
The current government remittances for source deductions and sales taxes are included in the disbursement assumptions.

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

Dated at the City of Montréal, in the Province of Québec, this 24<sup>th</sup> day April, 2017.

Richter Advisory Group Inc. - Trustee

Per:



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