

IN THE MATTER OF THE PROPOSAL OF
JONES CANADA, INC. AND NINE WEST CANADA LP
OF THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO

REPORT OF THE PROPOSAL TRUSTEE ON THE
FINANCIAL SITUATION OF THE DEBTOR AND THE PROPOSAL
(Sections 50(10)(b) and 50(5) of the *Bankruptcy and Insolvency Act*)

This report provides an outline of the background and financial position of Jones Canada, Inc. (“**Jones Canada**”) and Nine West Canada LP (“**NW Canada LP**”, and together with Jones Canada, the “**NW Canada Entities**”), including relevant information that should be of assistance to the NW Canada Entities’ Creditors in considering their position with respect to the Proposal being presented by the NW Canada Entities to their Creditors.

Enclosed are the following documents:

- Notice of Proposal to Creditors;
- Proposal, under Part III, Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c.B-3, as amended (the “**BIA**”), lodged with Richter Advisory Group Inc. (“**Richter**”), in its capacity as the trustee of the NW Canada Entities (in such capacity, the “**Proposal Trustee**”), by the NW Canada Entities and filed with the Official Receiver on September 14, 2018;
- The NW Canada Entities’ Statement of Affairs sworn September 14, 2018;
- A Proof of Claim form and general Proxy; and
- A Voting Letter.

In preparing this report, the Proposal Trustee has relied upon unaudited financial information prepared by the NW Canada Entities’ representatives, the NW Canada Entities’ books and records, discussions with the NW Canada Entities’ representatives and the NW Canada Entities’ legal counsel. The Proposal Trustee has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information.

Unless otherwise stated, monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined in this report have the meanings attributed to such terms in the Proposal.

Section A – Introduction and Background

The NW Canada Entities were the sole retailers and wholesalers of Nine West brand footwear and accessories in Canada. The NW Canada Entities were also the exclusive wholesalers of various brands of women's jewellery and handbags in Canada.

Prior to the NW Canada Entities' NOI Proceedings (defined and discussed later in this report), the NW Canada Entities operated 35 retail stores across Canada and had approximately 330 employees.

Corporate Structure

Jones Canada is a private company incorporated under the Ontario *Business Corporations Act*, R.S.O. 1990, c. B. 16. Jones Canada is the general partner of NW Canada LP, a limited partnership whose limited partner is Jones Apparel Group Canada ULC, a Nova Scotia unlimited liability corporation. Jones Canada carries on no other business aside from being the general partner of NW Canada LP and, in such capacity, Jones Canada is liable for all obligations of NW Canada LP.

The NW Canada Entities are indirect wholly-owned subsidiaries of U.S. parent companies whose ultimate parent is Jasper Parent LLC (the "**NW US Entities**", and together with the NW Canada Entities, the "**NW Entities**").

Historical Overview

The NW Canada Entities acquired their business in 2015 through the purchase, by NW Canada LP, of substantially all of the business and assets of the Sherson Group Inc. ("**Sherson**").

Prior to the sale, Sherson had been the Canadian wholesaler and retail licensee of the Nine West brand for almost 30 years. Sherson had been experiencing its own financial difficulties that ultimately led to Sherson filing a Notice of Intention to Make a Proposal ("**NOI**"), pursuant to section 50.4(1) of BIA, on June 29, 2015. Richter was appointed as trustee in Sherson's NOI proceedings.

The NW US Entities were involved in Sherson's NOI proceedings in that the NW US Entities were the licensor of the Nine West and other brands to Sherson. In addition, the NW US Entities were Sherson's largest creditor.

On August 20, 2015, as part of Sherson's NOI proceedings, the Ontario Superior Court of Justice (Commercial List) (the "**Court**") approved the sale of substantially all of Sherson's business and assets to NW Canada LP – the sale closed on August 21, 2015.

The NW Entities' Insolvency Proceedings

Since its acquisition of the Sherson business, the NW Canada Entities' business operations, including inventory purchases, licence-related charges / design assist costs related to the Nine West brand and other branded merchandise acquired by the NW Canada Entities as well as general and administrative costs have largely been funded by the NW US Entities (on both an secured and unsecured basis). As at the date of this report, the Proposal Trustee understands that the NW Canada Entities had outstanding secured and unsecured obligations owing to the NW US Entities in the amounts of approximately \$4 million and \$23.8 million, respectively. The Proposal Trustee also notes that, as at the date of this report, the NW US Entities have not filed Claims (on either a secured or unsecured basis) with the Proposal Trustee.

As a result of the NW Canada Entities' continuing losses, the NW Canada Entities were dependent on funding from the NW US Entities to continue operations. Due to a decline in the financial performance of the NW US Entities' operations and the failure to revitalize the Nine West and associated brands in both the US and Canada, on April 6, 2018, the NW US Entities commenced insolvency proceedings by filing for protection under Chapter 11 of the U.S. Bankruptcy Code (the "**Chapter 11 Proceedings**").

As part of the NW US Entities' Chapter 11 Proceedings, the NW US Entities ceased all retail operations and all store locations were closed. The NW US Entities' e-commerce and wholesale operations continued as a sale process for the NW US Entities' assets was completed. Although the Chapter 11 Proceedings did result in the sale of the Nine West and associated brands as well as certain working capital assets of the NW US Entities, the sale expressly excluded Canadian assets and did not provide for ongoing retail or wholesale operations in Canada.

In addition, as a result of the NW US Entities' Chapter 11 Proceedings, the source of funding for the NW Canada Entities' ongoing operations was no longer available. Without access to this source of critical funding, the NW Canada Entities were unable to continue operations and, on April 6, 2018, Jones Canada and NW Canada LP each filed a NOI pursuant to section 50.4(1) of the BIA. Richter was named as the Proposal Trustee under each of the NW Canada Entities' NOI proceedings (the "**NOI Proceedings**").

The purpose of the NOI Proceedings was to, among other things, provide a stable environment for the NW Canada Entities to conduct an orderly and supervised liquidation and wind-down of their operations and consider the development of a Proposal to their creditors. As part of this agenda, on April 11, 2018, the Court approved, *inter alia*, the administrative and substantive consolidation of the NOI Proceedings (such that the NW Canada Entities and the Proposal Trustee were authorized to advance the NOI Proceedings as a single proceeding) and a consulting agreement between the NW Canada Entities and SB 360 Capital Partners to govern the contemplated liquidation of the NW Canada Entities' merchandise and other owned assets in the NW Canada Entities' retail locations (the "**Liquidation**"). The Liquidation concluded on June 30, 2018 and all 35 retail store leases were disclaimed effective on or before that date. In addition, in the Proposal Trustee's view, the substantive consolidation of the NW Canada Entities' NOI Proceedings and the NW Canada Entities' filing of a consolidated Proposal is not prejudicial to the Creditors of the NW Canada Entities.

Pursuant to orders of the Court dated April 11, 2018, June 19, 2018 and August 2, 2018, the deadline by which the NW Canada Entities were required to file their Proposal was extended to September 17, 2018.

On September 14, 2018, the enclosed Proposal naming Richter as Proposal Trustee was filed with the Official Receiver.

Section B – Summary of the Proposal

A brief summary of the Proposal is provided below. Unless otherwise stated, all capitalized terms are defined as they appear in the Proposal. The terms of the Proposal would be effective if:

1. the Proposal is approved by a majority in number and two thirds in value of the Creditors entitled to vote that are present, personally or by proxy, at the Creditors' Meeting; and
2. the Proposal is approved by the Court, in accordance with the provisions of the BIA.

Subject to Creditor acceptance and Court approval, the Proposal provides for the NW Canada Entities to distribute the net proceeds of the Liquidation and certain other funds to Proven Creditors in a manner that will result in Proven Creditors deriving a greater benefit from the distribution contemplated by the Proposal than they would otherwise receive from a bankruptcy of the NW Canada Entities. In this regard, and as set out below and in the Proposal, the NW US Entities have agreed to subordinate \$1 million of their unsecured Claims against the NW Canada Entities if the Proposal is approved by the Creditors and the Court and is implemented.

As set out in the Proposal, the Proposal provides for the following:

1. The monies paid by the NW Canada Entities to the Proposal Trustee (the “**Creditor’s Fund**”) to fund a distribution to Proven Creditors will be comprised of the following:
 - (i) the NW Canada Entities’ cash on hand; and
 - (ii) the net cash proceeds from the monetization of the NW Canada Entities’ remaining assets, including the collection of accounts receivable, withholding tax refunds, GST/HST refunds, balance of D&O Trust, if any, remaining after settlement of GST/HST and other liabilities contemplated by the D&O Trust and miscellaneous prepaid items.
2. Subject to the terms and conditions set forth in the Proposal, the following payments will be made from the Creditor’s Fund:
 - (i) Professional Fees: subject to Article 6.2 of the Proposal and the provisions of the BIA, the Professional Fees will be paid in full as they become due;
 - (ii) Crown Priority Claims: all Crown Claims that were outstanding as at the Filing Date, if any, shall be paid in full to Her Majesty in right of Canada or a Canadian province or territory, as applicable, within six months after the issuance of the Proposal Approval Order;
 - (iii) Employee Priority Claims: Employee Priority Claims, if any, will be paid in full in amounts to be determined by the Proposal Trustee pursuant to section 135 of the BIA;
 - (iv) Pension Priority Claims: all Pension Claims that were outstanding as at the Filing Date, if any, shall be paid in full within six months after the issuance of the Proposal Approval Order;
 - (v) Superintendent’s Levy: the Superintendent’s Levy shall be paid in full;
 - (vi) Secured Claims: any Secured Claims will be paid in full in amounts to be determined by the Proposal Trustee pursuant to section 135 of the BIA;
 - (vii) Preferred Claims: the remaining Preferred Claims (after the payments provided in Articles 2.4(a) to (f) of the Proposal have been made, or reserves taken therefor), if any, shall be paid without interest in priority to the Proven Claims addressed by Article 2.4(h) of the Proposal; and
 - (viii) Unsecured Claims: the holders of Proven Claims not addressed by Articles 2.4(a) to (g) of the Proposal will receive an amount from the balance of the Creditor’s Fund (subject to any reserves taken to satisfy the payments provided in Articles 2.4(a) to (g) of the Proposal) relative to the aggregate value of Proven Claims not addressed by Articles 2.4(a) to (g) of the Proposal.
3. Post-Filing Claims are to be paid, in full, by the NW Canada Entities in the ordinary course of business and on regular trade terms, prior to the payment of the Final Contribution into the Creditors’ Fund to the Proposal Trustee.
4. To facilitate the approval and implementation of the Proposal, the NW US Entities have agreed to not pursue a portion of their unsecured Claim against the NW Canada Entities without prejudice to their ability to pursue any Claim or receive distributions in a Bankruptcy Scenario. For greater certainty, the NW US Entities have agreed to subordinate \$1 million of their unsecured debt only if the Proposal is approved by the Creditors and the Court and is implemented.
5. Provided that the Proposal is approved by the Required Majority of the Creditors and that the Proposal Approval Order is granted by the Court:

- (i) the NW Canada Entities shall pay their cash on hand, subject to any reserve for Post-Filing Claims (collectively, the “**Initial Fund Contribution**”), to the Proposal Trustee within five (5) Business Days following the issuance of the Proposal Approval Order; and
 - (ii) the NW Canada Entities shall pay the net cash proceeds remaining from the realization of the Remaining Assets and any remaining cash on hand (collectively, the “**Final Contribution**”) to the Proposal Trustee as soon as reasonably practicable following receipt.
6. Upon the NW Canada Entities making the Initial Fund Contribution payment into the Creditors’ Fund in accordance with the Proposal, the NW Canada Entities, their successors and assigns, and their directors shall be deemed to have fully satisfied the terms of the Proposal other than with respect to the Final Contribution.
7. The determination of which payment constitutes the Final Contribution into the Creditors’ Fund by the NW Canada Entities shall be determined by the NW Canada Entities, acting reasonably, in consultation with the Proposal Trustee.
8. In order to be eligible to vote at the Creditors’ Meeting, each Creditor shall file a Proof of Claim with the Proposal Trustee in accordance with the applicable provisions of the BIA, and shall specify every Claim and every D&O Claim it asserts against the NW Canada Entities and / or the Directors and Officers, as applicable. Secured Creditors and Employee Priority Creditors shall not be entitled to vote their Secured Claims and Employee Priority Claims, respectively, as these amounts are to be paid in full, as set out in more detail above and in the Proposal.
9. In the case of any lease of real property disclaimed by the NW Canada Entities pursuant to section 65.2 of the BIA, the landlord affected by the disclaimer may file a Proof of Claim for the lesser of:
 - (i) the total rent set out in the lease for one (1) year after the disclaimer becomes effective plus fifteen (15) percent of the rent for the rest of the term of the lease; and
 - (ii) the total rent set out in the lease for three (3) years after the disclaimer becomes effective.
10. The Proposal provides for a full and final release and discharge of all Claims and Released D&O Claims and a settlement of and consideration for Claims and Released D&O Claims.
11. The provisions of sections 95 to 101, inclusively, of the BIA and any similar provision of any federal or provincial statute shall not apply to the Proposal.
12. In accordance with section 149 of the BIA, prior to the final distribution from the Creditors’ Fund, the Proposal Trustee shall give notice (the “**Final Dividend Notice**”) by mail to every Person with a Claim of which the Proposal Trustee has notice or actual knowledge but who did not file a Proof of Claim that, if the Creditor does not file a Proof of Claim within thirty (30) days after the mailing of the Final Dividend Notice (the “**Claims Bar Date**”), the Proposal Trustee will proceed to declare a dividend without regard to that Creditor’s Claim. In order to receive a distribution from the Creditors’ Fund, a Creditor must submit a Proof of Claim prior to the Claims Bar Date.
13. On the Effective Date in accordance with the terms of the Proposal and in accordance with the Proposal Approval Order, the treatment of all Claims and Released D&O Claims shall be final and binding on the NW Canada Entities, the Officers and Directors, all Creditors (and their respective heirs, executors, administrators, legal or personal representatives, successors and assigns) and all Claims and Released D&O Claims shall be fully, finally, irrevocably and forever released, discharged, cancelled and barred, and the NW Canada Entities and the Directors and Officers shall thereupon have no further obligation whatsoever in respect of the Claims and Released D&O Claims; provided that nothing in the Proposal releases the NW Canada Entities or any other Person from their obligations to make distributions in the manner and to the extent provided for in the Proposal and provided further that such discharge and release of the NW Canada Entities and the Directors and

Officers shall be without prejudice to the right of a Creditor in respect of a Disputed Claim to prove such Disputed Claim in accordance with the BIA so that such Disputed Claim may become a Proven Claim.

14. On the Effective Date, all Creditors shall be deemed to have consented and agreed to all of the provisions of the Proposal in its entirety. Each Creditor will be deemed to have waived any default by the NW Canada Entities in any provision, express or implied, or in any agreement (other than the Proposal) existing between the Creditor and the NW Canada Entities that occurred on or prior to the Effective Date. Each Creditor will be deemed to have agreed that, to the extent there is any conflict between the provisions of any such agreement and the provisions of the Proposal, the provisions of the Proposal take precedence and priority and the provisions of any such agreement are amended accordingly.
15. On the Effective Date, (i) the NW Canada Entities' employees and contractors, each Director and Officer of the NW Canada Entities, and their respective heirs and assigns, and (ii) the Proposal Trustee, the Proposal Trustee's counsel, and each and every present and former shareholder, affiliate, subsidiary, director, officer, member, partner, employee, auditor, financial advisor, legal counsel and agent of any of the foregoing Persons, shall be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions, encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature, including claims for contribution or indemnity which any Creditor or other Person may be entitled to assert, including claims that are liquidated, unliquidated, fixed, contingent, matured, unmatured, legal, equitable, present, future, known, unknown, disputed, undisputed or whether by guarantee, by surety, by subrogation or otherwise incurred and whether or not such a right is executory in nature, including, for greater certainty, any Claim against the NW Canada Entities for indemnification by any Director or Officer, based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, liability, obligation, negligence, breach of fiduciary duty, dealing or other occurrence existing or taking place on or prior to the Effective Date that constitute or are in any way relating to, arising out of or in connection with any Claims, and any indemnification obligations with respect thereto, the business and affairs of the NW Canada Entities whenever or however conducted, the administration and/or management of the NW Canada Entities, the Proposal, or any document, instrument, matter or transaction involving the NW Canada Entities taking place in connection with the Proposal, shall be deemed to be fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties, all to the fullest extent permitted by governing law; provided that nothing herein will waive, discharge, release, cancel or bar (a) the right to enforce the NW Canada Entities' obligations under the Proposal, or (b) any D&O Claim that is not permitted to be released pursuant to section 50(14) of the BIA.
16. The implementation of the Proposal and distributions contemplated thereunder are subject to the satisfaction of the following conditions precedent:
 - (i) the Proposal is approved by the Required Majority;
 - (ii) the Proposal Approval Order has been issued and has not been stayed and there is no outstanding appeal therefrom; and
 - (iii) all other actions, documents and agreements necessary to implement the Proposal, including, without limitation, payment to the Proposal Trustee of the Initial Fund Contribution, as required by the Proposal, shall have been effected and executed.

The description of the Proposal in this report is a summary only and is being provided solely for the purpose of assisting the Creditors. In the event there is any inconsistency between this report and the Proposal, the terms of the Proposal shall govern. Creditors are advised to read the Proposal in its entirety.

Section C – Financial Position and Causes of Difficulties

The NW Canada Entities' unaudited financial results for the fiscal years ended December 31, 2016 and 2017, as well as for the two (2) months ended February 28, 2018, are summarized in the below table (results shown are for NW Canada LP only, as Jones Canada does not carry on active business operations aside from being the general partner of NW Canada LP):

Nine West Canada LP				
Historical Financial Results				
	2 Months Ended		Year Ended	
(In 000's)	Feb 18		Dec 17	
			Dec 17	Dec 16
Net Sales	\$	6,462	\$	50,186
Gross Profit		2,521		20,932
Expenses		4,313		24,168
EBITDA from Operations	\$	(1,792)	\$	(3,236)
			\$	(8,400)

As noted above, as a result of the NW Canada Entities' continuing losses, the NW Canada Entities have been dependent on funding from the NW US Entities to continue operations. Upon the commencement of the NW US Entities' Chapter 11 Proceedings, this source of funding was no longer available to the NW Canada Entities. Without access to this source of critical funding, the NW Canada Entities were unable to continue operations.

Section D – Interim Receiver

Not applicable.

Section E – Identification and Evaluation of Assets

According to the NW Canada Entities' Statement of Affairs, the NW Canada Entities assets consist of the following:

Asset Description	Estimated Realizable Value per SOA	
Deposits in Financial Institutions	\$	14,805,261
Accounts Receivable		150,000
Other (IP)		unknown
Total	\$	14,955,261

Note: the assets available for distribution noted above do not take into consideration any amounts realized from the D&O Trust.

The NW Canada Entities' assets are discussed in greater detail below:

Deposits in Financial Institutions

Deposits in Financial Institutions include the net realizations from the Liquidation and other amounts held in the NW Canada Entities' bank accounts.

Accounts Receivable

Accounts receivable includes the NW Canada Entities' estimated collections from outstanding wholesale accounts receivable, withholding tax refunds, GST/HST refunds and the balance of any deposits posted with trade creditors during the NW Canada Entities' NOI proceedings.

Other (Intellectual Property)

Other assets consist of the NW Canada Entities' intellectual property, which includes social media profiles, domain names and customer lists.

The Proposal Trustee understands that the NW Canada Entities have taken steps to monetize these assets and the Proposal Trustee will provide an update on any proposed transactions / realizations related to these assets at the Creditors' Meeting.

Section F – Conduct of the Debtor

As part of its statutory duties under the BIA, the Proposal Trustee has performed a preliminary review of the NW Canada Entities' financial records, including bank statements for the 12-month period (the "**Review Period**") immediately preceding the NOI filing date in order to identify (i) any disbursements greater than \$25,000 that may be considered preferences pursuant to the BIA, and (ii) any transactions that may be considered transfers at undervalue pursuant to the BIA. In addition, the Proposal Trustee has made enquiries with certain members of the NW Canada Entities' management, including individuals with knowledge of the NW Canada Entities' day-to-day financial transactions, to discuss the potential existence of any such transactions.

The disbursements identified by the Proposal Trustee primarily consist of payment to the NW US Entities in repayment of secured intercompany advances, payments related to employee payroll and other payments in respect of operating expenses made in the ordinary course.

Based on its review of certain of the NW Canada Entities' financial records and discussions with the NW Canada Entities' management, the Proposal Trustee has not identified any transactions in the Review Period which appear to be at undervalue or which would be otherwise reviewable in accordance with sections 95 to 101 of the BIA.

The Proposal Trustee may continue its review and will provide an update, if necessary, on its review of the NW Canada Entities' financial records at the Creditors' Meeting to consider the Proposal.

Section G – Creditor Claims

According to the NW Canada Entities' Statement of Affairs, the NW Canada Entities' Creditors are summarized in the table below:

Creditor Classification	Estimated Claim Per SOA	
Secured	\$	3,999,268
Preferred		-
Unsecured		37,545,862
Contingent		-
Total Claims	\$	41,545,130

Secured Creditors

Based on the NW Canada Entities' books and records, the NW Canada Entities' only Secured Creditor is the NW US Entities (Nine West Holdings, Inc. and Nine West Management Service LLC).

As noted above, the NW US Entities have funded various operating / other costs of the NW Canada Entities via intercompany financing. In the fall of 2017, the NW Canada Entities were in need of additional financing to meet their obligations and continue operations. The NW US Entities agreed to provide this critical additional financing on a secured basis.

On October 18, 2017, NW Canada LP issued two interest-bearing revolving intercompany notes in favour of two of the NW US Entities (collectively, the "**Promissory Notes**"). As security for NW Canada LP's obligations under the Promissory Notes, NW Canada LP provided general security agreements and hypothecs to the holders of the Promissory Notes (collectively, the "**Intercompany Security**").

Since issuing the Promissory Notes and granting the Intercompany Security, intercompany financing has occurred on a secured basis such that, as at the NOI filing date, the NW Canada Entities had outstanding secured obligations owing to the NW US Entities in the amount of approximately \$4 million.

The Proposal Trustee has received an opinion from its independent legal counsel, Aird & Berlis LLP, confirming that, subject to the typical qualifications and assumptions, the Intercompany Security is valid and enforceable in the Province of Ontario. At present, the Proposal Trustee has not obtained an opinion regarding the validity and enforceability of the Intercompany Security in other provinces where the NW Canada Entities have retail operations, as the realizations from Ontario are anticipated to be sufficient to satisfy the amounts owing on a secured basis to the NW US Entities.

In addition to the Intercompany Security, the Proposal Trustee is aware of certain other registrations, in respect of specific leased assets, made pursuant to the *Personal Property Security Act* (Ontario) (the "**Other Security Registrations**").

The NW Canada Entities have advised the Proposal Trustee that the Other Security Registrations relate to security registered by counterparties in respect of various equipment and / or other assets leased by the NW Canada Entities. The Proposal Trustee understands that the NW Canada Entities have returned the equipment and / or other assets to the correct lessor and, where appropriate, disclaimed their interest in the subject matter of these leases.

Priority Creditors

The Proposal Trustee is aware of certain unpaid customs / brokerage obligations of the NW Canada Entities as at the NOI filing date. The provincial sales tax component of these obligations may constitute a Crown Priority Claim under the Proposal. As at the date of this report, the quantum of the potential Crown Priority Claim in connection with the foregoing is unknown, but the Proposal Trustee understands that the NW Canada Entities are taking steps to determine this obligation, if any.

Based on its review of certain of the NW Canada Entities' financial records, the Proposal Trustee is not aware of any other potential Priority Claims.

Preferred Creditors

According to the NW Canada Entities' Statement of Affairs, no amounts are due to Preferred Creditors. Based on the Proposal Trustee's review of certain of the NW Canada Entities' financial records, it appears that all amounts owed to the NW Canada Entities' employees, in respect of outstanding wages and vacation pay, which may have existed as at the NOI filing date, have been paid by the NW Canada Entities in the ordinary course. Any employee claims that might exist at the time of Court approval of the Proposal will be paid immediately following Court approval in accordance with the terms of the Proposal and the BIA.

Based on its review of certain of the NW Canada Entities' financial records, the Proposal Trustee is not aware of any other potential Preferred Claims.

Unsecured Creditors

According to the NW Canada Entities' Statement of Affairs, the NW Canada Entities' unsecured creditors are owed approximately \$37.5 million, including approximately \$23.8 million owed to the NW US Entities on an unsecured basis. As noted in Section B of this report, to facilitate approval and implementation of the Proposal, the NW US Entities have agreed to subordinate \$1 million of their unsecured Claims against the NW Canada Entities only if the Proposal is approved by the Creditors and the Court and implemented.

The NW Canada Entities have advised the Proposal Trustee that the amounts noted as owing to employees on the Statement of Affairs (approximately \$1.9 million) was the estimated termination / severance obligation due to the NW Canada Entities' former employees (all of which have been terminated as at the date of this report).

Section H – Previous Dealings with the Debtor

The undersigned Proposal Trustee confirms that neither he nor the firm with which he is related has provided previous services to the NW Canada Entities in any capacity other than consulting with the NW Canada Entities at the time of their acquisition of the business and assets of Sherson and in respect of the consideration to file a Proposal. The Proposal Trustee further confirms that he does not have any knowledge of any conflict of interest situation arising from the acceptance of this appointment as Proposal Trustee under the Proposal.

Section I – Informal Meetings with Major Creditors

The NW Canada Entities and the Proposal Trustee have had various communications with the NW US Entities regarding the Chapter 11 Proceedings, the NOI Proceedings and the proposed arrangements between the NW Canada Entities and the NW US Entities under the Proposal. These communications were necessary in order to, among other things, establish that portion of the NW US Entities' unsecured Claims against the NW Canada Entities to be subordinated under the Proposal.

Section J – Remuneration of Proposal Trustee

Payment of the fees and expenses of the Proposal Trustee, including the legal fees and disbursements of the Proposal Trustee, are provided for in the Proposal.

Section K - Cash Flow Statement

In accordance with the BIA, the Proposal Trustee reviewed the cash flow statement and assumptions for the period September 9, 2018 to November 15, 2018 that were prepared by the NW Canada Entities (the "**Cash Flow Statement**") and which were filed with the Official Receiver. In reviewing the Cash Flow Statement, nothing has come to the Proposal Trustee's attention which would lead the Proposal Trustee to believe that the hypothetical and probable assumptions used by the NW Canada Entities in the preparation of the Cash Flow Statement are inconsistent with the purpose of the Cash Flow Statement.

Section L – Statement of Estimated Realizations

Proposal Accepted

Should the Proposal be approved by both the Creditors and the Court and implemented, the NW US Entities have agreed to postpone a portion of their unsecured Claims against the NW Canada Entities (\$1 million), which would result in Proven Creditors receiving a greater distribution than would otherwise be realized in a Bankruptcy Scenario.

Based on (i) a Creditor's Fund estimated to be approximately \$15 million, (ii) Secured Claims of approximately \$4 million, (iii) Priority Claims ranging between \$Nil and \$500,000, and (iv) unsecured Claims of approximately \$36.5 million (after taking into consideration the NW US' Entities postponement of \$1 million of their unsecured Claims), the estimated distribution to unsecured Creditors per dollar of Proven Claim is estimated to be approximately 29% - 30%.

Please note that the quantum of the Creditor's Fund, the amounts owing to Creditors (secured, priority, preferred and unsecured) and, therefore the estimated distribution to unsecured Creditors, are subject to variation, particularly in the event that the amounts included in Proofs of Claim filed by Creditors and accepted by the Proposal Trustee differ from the amounts included in the NW Canada Entities' Statement of Affairs.

Proposal Not Accepted

If the Proposal is not accepted, the NW Canada Entities would become bankrupt and the NW Canada Entities' assets would vest with the trustee in bankruptcy, subject to the rights of the NW Canada Entities' Secured Creditors.

In addition, in a Bankruptcy Scenario, the Proposal Trustee understands that the NW US Entities would pursue recovery of their full unsecured Claims against the NW Canada Entities, which, subject to section 137(1) of the BIA, would reduce recoveries for arms-length unsecured Creditors

For the purpose of section 137(1) of the BIA, nothing has come to the Proposal Trustee's attention to suggest that the unsecured transactions between the NW Canada Entities and the NW US Entities were improper.

Section M – Recommendations

Based on the analysis set out in this report, the Proposal Trustee is of the view that the Proposal is preferable to a bankruptcy, since it provides for a distribution to the NW Canada Entities' unsecured Creditors that appears to exceed amounts that would otherwise be available from a bankruptcy.

Accordingly, based on all of the above, the Proposal Trustee recommends the acceptance of the Proposal by the NW Canada Entities' Creditors.

Section N – Meeting of Creditors

In completing the Proof of Claim form enclosed herewith, Creditors should only include all amounts outstanding as at April 6, 2018.

It is expressly noted and should be clearly understood that Richter, acting solely in its capacity as Proposal Trustee, assumes no responsibility for any Claims against the NW Canada Entities before, on, or after the NOI filing date.

Creditors may attend the meeting to consider the Proposal either in person or by proxy. The meeting to consider the Proposal will be held on October 4, 2018 at 11:00 a.m. at the offices of Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario.

Please note that in order for your vote to count in connection with the Proposal, it is necessary that you complete and submit the enclosed documents prior to the meeting.

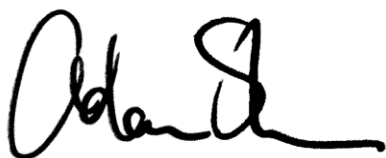
Creditors who do not wish to attend or be represented at the meeting but who wish to vote, may forward their Proofs of Claim and voting letters to the Proposal Trustee so as to be received prior to the meeting.

Should you have any questions in connection with the Proposal or this report, please contact Mr. Eric Finley at (416) 642-2345 x2348 or via email at efinley@richter.ca.

Dated at Toronto, Ontario, this 24th day of September, 2018

Richter Advisory Group Inc.
in its capacity as Trustee under the Proposal of
Jones Canada, Inc. and Nine West Canada LP
and not in its Personal Capacity

Per:

A handwritten signature in black ink, appearing to read 'Adam Sherman', written over a horizontal line.

Adam Sherman, MBA, CIRP, LIT
Senior Vice President