

District of Ontario
Division No. 9 - Toronto
Court File No: 31-2010608
Estate File No. 31-2010608

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF SHERSON GROUP INC.

AFFIDAVIT OF RALPH SCHIPANI
(Sworn August 13, 2015)

I, Ralph Schipani, of the City of New York, in the State of New York, MAKE OATH
AND SAY:

1. I am a Vice President of Nine West Canada LLP (the "**Purchaser**"). I am also the interim President of Nine West Holdings, Inc. As such, I have knowledge of the matters deposed to in this Affidavit, except where otherwise stated. Where this Affidavit is not based on my direct personal knowledge, it is based on information and belief and I verily believe such information to be true.
2. This Affidavit is sworn in support of a motion brought by Sherson Group Inc. ("**Sherson**") for an Order assigning the rights and obligations of Sherson under certain agreements to the Purchaser (an "**Assignment Order**").

Background - the Sale Agreement

3. Sherson and the Purchaser entered into an asset purchase agreement dated August 6, 2015 (the "**Sale Agreement**") wherein the Purchaser agreed to purchase all of Sherson's right, title and interest in and to substantially all of Sherson's assets that relate to or are used in connection with the operation of its business (the "**Sherson Business**"). A redacted copy

of the APA is attached as Exhibit "D" to the Affidavit of Stephen Applebaum sworn August 11, 2015 (the "**Applebaum Affidavit**"). Sherson is seeking an Approval and Vesting Order from the Ontario Superior Court of Justice (In Bankruptcy and Insolvency), in respect of the Sale Agreement and the transaction contemplated thereby (the "**Sale Transaction**").

4. The assets of Sherson to be purchased pursuant to the Sale Agreement include the benefit of Sherson's real property leases (the "**Leases**") and the benefit of Sherson's contracts (the "**Contracts**") listed at Schedule 8.1(10) of the Sale Agreement, or such subset of those agreements as the Purchaser concludes are to be assigned to the Purchaser. In total there are approximately 45 Leases and 30 Contracts which may be assigned to the Purchaser if it so elects.

5. The Purchaser is in the process of reviewing the Leases and Contracts to determine which agreements Sherson will be required to assign and the Purchaser will assume on the terms and subject to the conditions set forth in the Sale Agreement. While the Purchaser hopes to deal with this review expeditiously, given the short deadline required by Sherson's secured lenders to execute the Sale Agreement and close the Sale Transaction, the Purchaser could not offer the substantial consideration for the benefit of Sherson and its creditors without allowing the Purchaser a reasonable time after the closing to finalize its review and analysis. Consequently, the Sale Agreement provides for an additional 90 day period post closing (the "**Designation Period**") during which time the Purchaser may make its final determination in respect of which Contracts and Leases are to be assumed and assigned.

6. Pursuant to the Sale Agreement, during the 90 day Designation Period, should the Purchaser elect to complete the assignment of an agreement, we will issue a notice to the proposal trustee of our intentions to do so. Where agreements do not require consent to assign, the Notice will be the effective date of the vesting of the agreement as a Purchased Asset.

7. Where agreements require consents to assign, the Purchaser and Sherson, with the assistance of the proposal trustee, are then required to make efforts to obtain the consents of counterparties required to assume and assign the Leases and Contracts to the Purchaser.

8. While we intend to work with the counterparties to seek to find a consensual means of effecting the assumption and assignment of any contracts which require consent, it is important to the Purchaser that there is certainty in respect of the ultimate ability to effect the assignment of the required agreements as part of the Sale Transaction. Again the tight timeframe involved in this transaction leaves the Purchaser with no viable and prudent option but to seek the proposed Assignment Order at the same time as seeking the Approval and Vesting Order.

9. During the Designation Period we will also be conducting an assessment of the current workforce with a view of making offers of employment to Sherson's existing 549 employees. Depending upon this assessment, we anticipate that the Purchaser would be in a position to extend offers to the majority of existing employees.

The Purchaser

10. The Purchaser is a newly formed limited partnership with Jones Canada, Inc. being the general partner and JAG Canada ULC subscribing for the limited partnership interest. The Purchaser is an indirect subsidiary of Nine West Holdings, Inc. ("NWHI").

11. NWHI, formerly The Jones Group Inc., incorporated in December 1975, is a women's footwear, denim and accessories company. In respect of footwear, as at December 31, 2014, NWHI operated 179 Nine West and 76 Easy Spirit stores, and had wholesale and licensing operations in over 60 countries. Total revenues for fiscal nine months ended December 31, 2014, since the company was privatized, were US\$1.37 billion.

12. The Nine West brand is important to NWHI, and is a fundamental factor on why the Purchaser chose to enter into the Sale Agreement.

13. In order to implement the Sale Transaction, an initial financial contribution will be made by affiliates of the Purchaser, to the Purchaser in the amount necessary to satisfy the payments of the secured indebtedness to BMO, BDC and the initial tranche of payment to Stephen Applebaum Inc. as provided for in the Sale Agreement. Immediately upon closing of the transaction, the Purchaser will receive revenue from the sale of inventory to further assist with funding of post closing obligations.

14. I and the Purchaser generally are familiar with Sherson's business given the current licensor/licensee relationship. Also, the Purchaser has had an opportunity to review various information during the negotiations of the Transaction regarding the Purchaser's operational and financial results in connection with its proposed acquisition of the Purchased Assets. I am aware that the Purchaser will have obligations to certain counterparties on account of Contracts and Leases selected by the Purchaser to be assigned to the Purchaser under the Sale Agreement. I am also familiar with Sherson's aggregate obligations under the Contracts and Leases based on information provided to us as outlined below.

15. In light of the Purchaser's financial and operational wherewithal as described above, and because of the revenue I believe the Purchaser will earn through operation of its business, I believe that the Purchaser will have the ability to satisfy its obligations from and after the Closing under the Assumed Contracts and Assumed Leases.

The Purchaser is an Appropriate Party for the Assignment

16. If the Sale Transaction is concluded, the Purchaser will acquire and intends to continue the Canadian operations and retail business as is currently operated in the premises subject to the Leases. The Canadian operations will form part of the larger Nine West international retail presence.

17. Going forward, the Canadian operations of the Nine West stores will be financially stronger than is currently the case. In addition to the initial financing and working capital injection referred to above, the Purchaser's ongoing operations will put the Purchaser in a far better financial position than Sherson's current situation.

18. In the Applebaum Affidavit, the reasons for the current financial difficulty of Sherson are explained in detail and include the costs of secured obligations and restrictions placed on Sherson in respect of use of available funds, underperforming locations and the licensing costs to Nine West. Upon completion of the Sale Transaction, each of these issues will be addressed and substantially improved.

19. The Applebaum Affidavit states that Sherson is currently indebted to its senior lenders in the total amount of \$9,600,000. These secured debts together with the financial

restrictions currently faced by Sherson will be eliminated at the Closing. The NOI proceedings and Sale Transaction will permit the Canadian operations to address underperforming stores. Finally, the repatriation of the Nine West license agreement will also benefit the ongoing Canadian operations.

20. I am advised by the Proposal Trustee that the Purchaser's monthly aggregate monetary obligation under the Leases (if all Leases were assigned) is anticipated to be approximately \$835,000 (before taxes) and the Purchaser's monthly aggregate obligations under the (non Nine West contracts) Contracts (if all Contracts were assigned) is anticipated to be approximately \$63,000 (before taxes). I verily believe that the Purchaser will have the ability to perform all of Sherson's post assignment obligations under the Leases and Contracts. In addition, the Purchaser fully intends to perform all such post assignment obligations to the extent the Leases and Contracts are assigned to the Purchaser.

21. To the best of my knowledge, and after consultation with Stephen Applebaum, notwithstanding Sherson's insolvency, as at the date of this Affidavit, the monetary defaults under any of the Leases and Contracts total less than \$100,000. Pursuant to the Sale Agreement, on the assignment date of any assignment agreement, the Purchaser will pay the monetary defaults of Sherson under the Leases and Contracts for which an Assignment Order is made.

Contracts Remaining Under Review

22. As outlined above, the Purchaser continues reviewing information regarding the agreements which may be assigned as part of the Sale Agreement. The majority of agreements which are currently being reviewed are leases with respect to Sherson's existing 45 leased locations. The Purchaser intends to reach out to the Landlords as quickly as possible to commence discussions regarding the various locations.

23. In addition, the agreements also include distribution agreements and Buying Agent Agreements. Two of the major distribution agreements, Mootsie Tootsie Mark and Nine West Kids in Canada, involve trade marks owned by NWHI. There are also distribution agreements relating to non Nine West brands. In my experience it is not unusual for one retailer, particularly one as large as NWHI, to sell brands other than its own product in its

retail locations. The Purchaser is in the process of reviewing the various agreements to determine whether we believe that ongoing sale of the non Nine West brands will continue to form a part of our future operations in Canada. Again, the Purchaser intends to reach out to these other counterparties as quickly as possible to commence discussions.

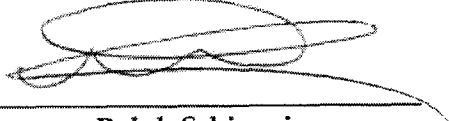
I swear this Affidavit in support of Sherson's motion for an Assignment Order and for no other or improper purpose.

SWORN BEFORE ME at the City of New York, in the State of New York, on August 13, 2015



Notary Public

SARAH A. RUSSELL
Notary Public, State of New York
No. 01RL0259988
Qualified in Westchester County
Commission Expires November 7, 2015



Ralph Schipani

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**AFFIDAVIT OF RALPH SCHIPANI
(SWORN AUGUST 13, 2015)**

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