

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL  
DIVISION NO.: 01-MONTRÉAL  
COURT NO.: 500-11-052107-170  
500-11-052108-178  
500-11-052109-176  
500-11-052106-172  
ESTATE NO.: 41-2219514  
41-2219516  
41-2219518  
41-2219519

SUPERIOR COURT  
(Commercial Division)

IN THE MATTER OF THE PROPOSAL OF:

**Freemark Apparel Brands Inc., Freemark Apparel Brands ESP Inc., Freemark Apparel Brands TEC Inc., and Freemark Apparel Brands USA Inc.**, insolvent persons, having their domicile at 5640 Paré Street, Mont-Royal, Québec, H4P 2M1.

**JOINT PROPOSAL**

We, **Freemark Apparel Brands Inc., Freemark Apparel Brands ESP Inc., Freemark Apparel Brands TEC Inc., and Freemark Apparel Brands USA Inc.** (collectively, the “Debtors” or the “Companies”), hereby submit the following proposal under the *Bankruptcy and Insolvency Act*:

1. **Definitions:** For all purposes relating to the present proposal under the *Bankruptcy and Insolvency Act*, the following terms shall have the following meaning:

“Act” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended;

“Approval” means the situation arising from the Proposal having been duly accepted by the required majority of creditors of the Companies and having been duly approved by the Court in a judgment which has become executory as a result of the delay for appeal having expired without there having been an appeal, or an appeal having been lodged and the judgment having been confirmed or the appeal withdrawn or otherwise settled;

“Claim” means the claim of any Creditor of the Companies, whether it is a Secured Claim, a Preferred Claim, an Employee Claim or an Unsecured Claim which existed as at the date of the filing of the Notice of Intention. Therefore, it does not include a Subsequent Claim;

“Court” means the Superior Court of the District of Montréal sitting in bankruptcy and insolvency matters (Commercial Division);

**“Creditor”** means the holder of a Claim;

**“Employee Claim(s)”** means, for each employee, the aggregate sum of all amounts owing to such employee, including any amounts owing in respect of notice of termination or pay in lieu thereof and severance claims, as set forth in the Employee Claim Notice.

**“Employee Claim Notice”** means the notice sent to each employee together with this Proposal setting out the employee’s Employee Claim.

**“Employee Creditor”** means a Creditor having an Employee Claim;

**“Landlords”** means those Creditors of which the Companies was a commercial tenant under a lease of real property, as acknowledged by the Companies;

**“Landlord Claims”** means the Unsecured Claims of the Landlords for the lesser of (i) the actual losses resulting from the disclaimers of leases or (ii) the amount calculated in accordance with the formula provided for at Section 65.2(4)b of the Act, which Claims shall be treated as Unsecured Claims in accordance with Section 65.2(5) of the Act;

**“Notice of Intention”** means the Notice of Intention to Make a Proposal under the Act filed by the Companies on February 17, 2017;

**“Preferred Claims”** means all Claims of a Creditor of the Companies governed by section 136 the Act and to be paid in priority by the Companies to all other Unsecured Claims in the distribution of the Shareholder’s Contribution;

**“Preferred Creditor”** means a Creditor having a Preferred Claim;

**“Proposal”** means this Joint Proposal as allowed by the Court in its order dated February 23, 2017;

**“Proposal Expenses”** means all fees, expenses, liabilities and obligations of the Trustee, and all legal fees, consulting fees and accounting fees on and incidental to the proceedings arising out of the Notice of Intention and the Proposal and including without limitation advice to the Companies and the Trustee in connection therewith;

**“Proven Claim”** means the amount accepted by the Companies for any Claim, or further to the Court’s determination and then as per the final judgment to be rendered and that the delay of appeal has expired without having been an appeal, or an appeal having been lodged and the judgment having been confirmed or the appeal withdrawn or otherwise settled;

**“Related Creditor”** means Freemark Apparel Brands Inc., Freemark Apparel Brands ESP Inc., Freemark Apparel Brands TEC Inc. and Freemark Apparel Brands USA Inc.;

**“Related Creditor Claim”** means the Claim of a Related Creditor;

**“Secured Claims”** means Claims of Secured Creditors within the meaning of the Act;

**“Secured Creditor”** means a Creditor having a Secured Claim;

**"Shareholder"** means Freemark Apparel Holdings Inc.

**"Shareholder's Contribution"** has the meaning set forth in section 2.2 herein. Said contribution is only to be distributed, in accordance with the terms of the Proposal, once the Creditors have duly approved the Proposal and the Approval has been obtained;

**"Subsequent Claims"** means the claims arising in respect to goods supplied, services rendered or other consideration given as and from the date of the filing of the Notice of Intention;

**"Subsequent Creditor"** means the holder of a Subsequent Claim;

**"Trustee"** means Richter Advisory Group Inc., the Trustee under the Notice of Intention and the Trustee named in the Proposal of the Companies;

**"Unsecured Claims"** means in respect of the Companies, the claims of the Unsecured Creditors including claims of every nature and kind whatsoever, whether due or not due for payment as of the date of the filing of the Notice of Intention as well as contingent or unliquidated claims arising out of any transaction entered into by one of the Companies prior to the date thereof;

**"Unsecured Creditor"** means a Creditor having an Unsecured Claim or a Landlords Claim;

## 2. **Purpose of the Proposal:**

2.1 On February 17, 2017, the Companies each filed a Notice of Intention. To facilitate the administration, and for that sole reason, the Court, on February 23, 2017 authorized the joint administration. In the same spirit and for the very same (and sole) reason, the Companies have filed a joint proposal.

2.2 As a result of the Court authorized and supervised solicitation process, and the transaction that resulted, each of the Companies has no known remaining assets. However, the Shareholder has offered offer to inject an aggregate amount of \$225,000.00 (the **"Shareholder's Contribution"**) for the sole purpose of distributing said Shareholder's Contribution to the Creditors other than HSBC Bank Canada and Freemark Apparel Holdings Inc. should the joint proposal be duly accepted by the Creditors and approved by the Court.

3. **Secured Claims:** The Secured Claims shall be paid in accordance with arrangements existing between the Companies and the holders of Secured Claims or as may be arranged between the Companies and the holders of Secured Claims. This Proposal is not made in respect of the Claims of HSBC Bank Canada and Freemark Apparel Holdings Inc., if any, and there shall be no distribution pursuant to the terms of this Proposal on account of any claims of either HSBC Bank Canada or Freemark Apparel Holdings Inc.
4. **Employee Claims:** Each employee which is in agreement with the Employee Claim Notice shall not be required to file a proof of claim and his (her) Proven Claim shall be deemed to be as set forth in the Employee Claim Notice, for voting and distribution purposes under the Proposal. Employees who do not agree with the amount of their claim as set forth in the Employee Claim Notice must complete and file their proof of claim in respect of their Claim,

prior to the first meeting of creditors if they wish to vote on the Proposal, together with any and all supporting documents, and a proper statement of account, which proof of claim shall be dealt with pursuant to the Act;

5. **Amounts:**

- (a) owing to Her Majesty in right of Canada or a Province that could be subject to a demand under Section 224 (1.2) of the *Income Tax Act*, or under any substantially similar provision of provincial legislation, outstanding at the time of the filing of the Notice of Intention, will be paid in full within six (6) months after the Approval, as per the Act;
- (b) owing to employees and former employees, that they would have been entitled to receive under Paragraph 136(1)(d) of the Act if the employer became bankrupt on the date of the filing of the Notice of Intention, as well as wages, salaries, commissions or compensation for services rendered after that date and before the Approval, will be paid in full immediately after the Approval as per the Act.

6. **Proposal Expenses and Subsequent Claims:** The Proposal Expenses and the Subsequent Claims shall be assumed by third parties and the Companies declare that this Proposal does not apply to the Proposal Expenses and the Subsequent Claims;

7. **Preferred Claims:** The payment of the Preferred Claims other than those referred to in Section 5(b) hereof will be paid in full in priority to all Unsecured Claims, thirty (30) days after the Approval;

8. **Distribution of the Shareholder's Contribution:** The Shareholder will remit to the Trustee, no later than ten (10) days after the Approval, the Shareholder's Contribution to be distributed by the Trustee as follows and in the following order:

- (a.) in payment of the Secured Claims, as per Section 3 herein, if any;
- (b.) in payment of all Proven Claims of the Preferred Claims of the Preferred Creditors, to be paid in accordance with Sections 5 and 7 above;
- (c.) the balance of the Shareholder's Contribution, to be distributed to the Unsecured Creditors with a Proven Claim, in full and final settlement of their Unsecured Claims, without interest, as follows:
  - (1) the lesser of: (i) the amount of the Proven Claim of such Unsecured Creditor and (ii) \$1,000.00 (the "**First Level Distribution**") which amount, subject to paragraph d) below, shall be disbursed within (i) sixty (60) days after the Approval for all the Unsecured Creditors other than the Employee Creditors and (ii) fifteen (15) days of the receipt by the Trustee of the required governmental confirmations in respect of the Employee Creditors only;
  - (2) an amount equal to such Unsecured Creditor's pro rata share, calculated on the basis of the remaining amount of its Proven Claim, of any amount remaining in the Shareholder's Contribution after the distribution of all of the First Level Distribution amounts, and subject to paragraph d) below, to all Unsecured

Creditors ("**Second Level Distribution**"). The Second Level Distribution will be paid by the Trustee within sixty (60) days after the following:

- (i) within (i) sixty (60) days after the Approval for all the Unsecured Creditors other than the Employee Creditors and (ii) fifteen (15) days of the receipt by the Trustee of the required governmental confirmations in respect of the Employees Creditors only;
  - (d.) the distribution referred to above shall be net of any amount to be set aside by the Trustee while Claims are being determined, litigated or for any disputed Claim. The Trustee shall use its best judgment in the determination of any amount which should be set aside, and for which period. Once all Claims have been settled or adjudicated with a final judgment, any amount set aside pursuant to this paragraph d) shall be disbursed by the Trustee;
- 9. **Reviewable Transactions and Preferential Payments:** Conditionally upon the Approval, the statutory terms of Sections 95 to 101 of the Act and any provision of provincial legislation having a similar objective (including but not limited to Articles 1631 to 1636 of the *Civil Code of Quebec*) shall not apply, the whole pursuant to Section 101.1 of the Act;
- 10. **Claims against directors:** In accordance with Section 50(13) of the Act, the Proposal herein made will constitute a compromise of claims against the present and past directors of the Companies (the "**Directors**") that arose before the filing of the Notice of Intention and that relate to the obligations of the Companies where the directors are by law or otherwise liable in their capacity as directors for the payment of such obligations, and acceptance of the Proposal, upon Approval, will operate as a discharge in favour of such present and past directors with respect to such obligations. Nothing herein shall be interpreted as an acknowledgement of any liability or obligation of the directors of the Companies;
- 11. **Release:** Upon the payment described in section 8 herein each of the Companies, the Directors and the Shareholder shall be released and discharged from any and all demands, claims, actions, law suits, debts, taxes, obligations to do anything, damages, judgments, judgment enforcement proceedings arising from any liability, obligation, demand or cause of action of any nature whatsoever, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, that any Employee Creditors, Preferred Creditors or Unsecured Creditors would otherwise be entitled to assert based, in whole or in part, on any act or omission, contract, duty, responsibility, or obligation of any nature having arisen on the date of the Notice of Intention or previously thereto relating to the Claims, the conduct of the business of the Companies, this Proposal or the Companies' proceedings under the Act, to the fullest extent permissible in law, and any such right resulting from any such act or omission, shall be forever waived and released (other than the right to enforce any of the Companies' obligations under this Proposal or any related agreement), provided that nothing herein shall affect the right of any Creditor to recover any insurance proceeds or benefits under any contract pursuant to which such Creditor is an insured.
- 12. **Deemed approval:** Each of the Unsecured Creditors with a Proven Claim equal to or less than \$1,000.00 shall be deemed to have voted in favour of the Proposal. Likewise, any employee that has not filed a proof of claim, **prior to the first meeting of creditors**, shall be

deemed to have voted in favour of the Proposal in an amount equal to the Employee Claim. Notwithstanding the foregoing, the Unsecured Creditors and the Employees described in the present clause may choose to vote against the Proposal in the context of the creditors' vote on the Proposal.

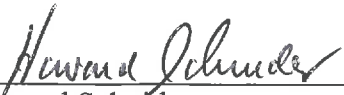
13. **Related Creditors:** Conditional upon the acceptance by its Creditors of the Proposal and to the approval thereof by the Court, the Related Creditors waive and renounce to (i) any right to prove in whole or in part any Related Creditor Claim they may have and (ii) any dividend that is or could be payable to them under the Proposal.
14. **Trustee:** The Trustee will be the Trustee under the Proposal and all monies payable under the Proposal will be paid over to the Trustee which will remit the dividends in accordance with the terms of the Proposal.

**IN THE EVENT OF ANY DISCREPANCY BETWEEN THE ENGLISH AND THE FRENCH VERSION OF THIS PROPOSAL, THE ENGLISH VERSION WILL TAKE PRECEDENCE.**

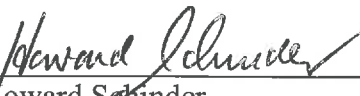


DATED AT MONTREAL, QUEBEC, this 21th day of July 2017.

**FREEMARK APPAREL BRANDS  
INC.**

Per   
Name: Howard Schneider

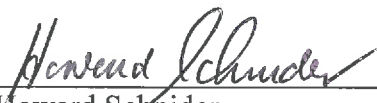
**FREEMARK APPAREL BRANDS ESP  
INC.**

Per   
Name: Howard Schneider

**FREEMARK APPAREL BRANDS  
TEC INC.**

Per   
Name: Howard Schneider

**FREEMARK APPAREL BRANDS USA  
INC.**

Per   
Name: Howard Schneider