

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

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

**FIFTH REPORT OF THE TRUSTEE
ON THE STATE OF PETITIONER'S BUSINESS AND FINANCIAL AFFAIRS
June 7, 2017**

INTRODUCTION

1. On February 17, 2017, each of Freemark Apparel Brands Inc. ("FABI"), Freemark Apparel Brands TEC Inc. ("FABT"), Freemark Apparel Brands ESP Inc. ("FABE") and Freemark Apparel Brands USA Inc. ("FABU") filed a Notice of Intention to Make a Proposal (the "NOI"). Richter Advisory Group Inc. ("Richter") was named Trustee.
2. The Debtors were 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 operated a wholesale business in Canada and the United States. The Debtors operated their retail and wholesale businesses pursuant to various license agreements.

3. The Debtors' head office and principal distribution center were 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, FAFE and FABU.
6. On March 8, 2017, this Court issued the Approval and Vesting Order authorizing FABI and FABT to sell certain Scotch & Soda assets 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 ("SISP").
10. On April 25, 2017, the Trustee issued its Third Report to Court ("Third Report").
11. On April 27, 2017, this Court issued an Order extending the delay granted to the Debtors to file a Proposal until June 12, 2017.
12. On May 9, 2017, the Trustee issued its Fourth Report to Court ("Fourth Report").
13. On May 16, 2017, this Court issued the Approval and Vesting Order authorizing the sale of substantially all the Debtors' assets and operations (the "Transaction") to a group of companies related to the Debtors, namely Freemark Apparel Brands Retail BE Inc., Freemark Apparel Brands Group Inc. (formerly 10036331 Canada Inc.), Freemark Apparel Brands Retail ESP Inc. and Freemark Apparel Brands Group USA Inc. (collectively the "Purchasers"). The SISP and the Transaction are more fully described in the Fourth Report.
14. On June 7, 2017, the Debtors filed a Motion for an Extension of Time to File a Proposal, which is scheduled to be heard on June 9, 2017.

PURPOSE OF THIS REPORT

15. The purpose of this Fifth Report is to provide this Court with information pertaining to:
 - a) Closing of the Transaction;
 - b) Results of Operations and Statement of Projected Cash Flow;
 - c) Possible Filing of a Proposal;
 - d) The Motion to Extend.

TERMS OF REFERENCE

16. 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.
17. In preparing this Fifth 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.
18. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

CLOSING OF THE TRANSACTION

19. Following the issuance by this Court of the Approval and Vesting Order, the Debtors and the Purchasers completed the Transaction on May 19, 2017.
20. On May 23, 2017 Richter issued a Certificate of the Trustee confirming that it had been advised by the Debtors and the Purchasers that: (a) the purchase agreement had been executed and delivered; and (b) the purchase price had been paid by the Purchasers; and (c) all the conditions to the closing of the Transaction had been satisfied or waived by the parties thereto.
21. Pursuant to the Approval and Vesting Order, the Debtors repaid in full, at Closing, all obligations owing to the first ranking secured creditor, HSBC Bank Canada. In addition, the Purchasers assumed the entire indebtedness of the Debtors towards the second ranking secured creditor (Freemark Apparel Holdings Inc.), as well as certain accrued employee benefits and post-filing accrued liabilities.

22. Following the Closing of the Transaction on May 19, 2017, the Debtors no longer own any assets and do not carry-on any business activities.

RESULTS OF OPERATIONS AND STATEMENT OF CASH FLOW

23. The Trustee has compared the reported results to those projections dated May 8, 2017 and presented in conjunction with the Motion Seeking Approval of a Transaction and Issuance of a Vesting Order. These projections, covering the period of May 1 to June 18, 2017, were included as Exhibit E to the Fourth Report. A cumulative summary of reported vs. projected results for the 4-weeks ended May 28, 2017 is annexed hereto as Exhibit "A". We comment as follows:
- Consistent with the projections and the terms of the Transaction, the Debtors' cash flow results reflect a full repayment of the HSBC loans (\$10.2M) at Closing on May 19, 2017.
 - As the Debtors no longer carry on business, the projections reflected no receipts, disbursements or cash balance on hand post-Closing. However, certain funds have continued to be received in, and payments made from, the bank accounts of the Debtors since the Closing. The use of the Debtors' accounts was offered at the suggestion of HSBC while arrangements are being finalized to put in place new banking facilities for the Purchasers.
 - As of May 28, 2017, the reported balance in the Debtors' bank accounts was approximately \$719,000, which consists of funds held for the benefit of the Purchasers as a result of the above noted transitional cash management arrangement.
 - Once the Purchasers' bank accounts are operational, the Debtors will return all funds held on behalf of the Purchasers at that time.
24. The Debtors have prepared a Statement of Projected Cash Flow for the period of June 12 to July 28, 2017, annexed as Exhibit "B". The projections reflect the return to Purchasers of funds currently held on their behalf. No other cash receipts or disbursements are forecasted during the extension period.

POSSIBLE FILING OF A PROPOSAL

25. As noted in the Fourth Report, the Transaction did not provide for proceeds in excess of the FAB Group's secured indebtedness, and as such the Debtors currently have no funds or unrealized assets which would allow them to formulate a proposal to their unsecured creditors.
26. However, the FAB Group's shareholders, with the assistance of their advisors and the Trustee, have been assessing potential alternatives to enable the Debtors to file a proposal to their unsecured creditors, as well as the potential contents of such a proposal.

TRUSTEE'S RECOMMENDATIONS AND CONCLUSIONS

- 27. The Debtors and their shareholders have been working in good faith with their advisors and the Trustee to assess the possibility of filing a proposal to the unsecured creditors, and are seeking an extension to complete this evaluation.
- 28. Given the fact that the Debtors have no remaining assets, in the event of a bankruptcy there will be no dividend to unsecured creditors. Alternatively, the Debtors may be able to file a proposal which will provide for some recovery to the unsecured creditors. The Trustee considers that an extension is therefore in the best interest of all stakeholders, and does not believe that such an extension would cause a prejudice to any creditor.
- 29. Accordingly, the Trustee supports the Debtors' request for an Extension of Time to File a Proposal.

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

Richter Advisory Group Inc.
Trustee



Eric Barbieri, CPA, CA, CIRP, LIT



Andrew Adessky, CPA, CA, CIRP, LIT

Exhibit A

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

Summary of Combined Cash Flow Results Vs.

Projections for:
 Freemark Apparel Brands Inc.
 Freemark Apparel Brands TEC Inc.
 Freemark Apparel Brands ESP Inc.
 Freemark Apparel Brands USA Inc.

Weekly Cash Flow

**Cumulative
 For the 4 Week Period Ending
 May 28, 2017**

(\$000's)

	Actual	Projections	Variance
Collections			
Retail	\$ 1 530	\$ 2 117	\$ (587)
Wholesale	1 219	502	716
	2 749	2 619	130
Operating Disbursements			
Purchases	(658)	(974)	316
Operational Expenses	(316)	(557)	241
Freight & Buying Commissions	-	(41)	41
Duty on purchases	(39)	(625)	585
Samples	(28)	(91)	63
Payroll	(1 228)	(1 128)	(100)
Rent	(522)	(655)	134
Royalties	-	(51)	51
Commissions	(17)	(131)	114
Insurance	-	(17)	17
	(2 808)	(4 269)	1 461
Net Operating Cash Flow	(59)	(1 650)	1 591
Non-Operating (Disbursements) / Receipts			
Capex	(93)	(95)	2
Professional Fees	(394)	(540)	146
Interest	(59)	-	(59)
Capital Leases	(100)	(252)	152
Proceeds from the Sale of Assets	10 193	10 468	(275)
Repayment of Term Loan	(4 499)	(3 913)	(585)
Other	280	-	280
	5 329	5 668	(339)
Post-Closing Transactions on Behalf of Purchasers			
Receipts on Behalf of Purchasers	1 426	-	1 426
Disbursements on Behalf of Purchasers	(1 959)	-	(1 959)
	(533)	-	(533)
Net Cash Flow	4 737	4 018	719
Opening Bank Indebtedness	(4 018)	(4 018)	-
Ending Cash Held on Behalf of Purchasers	\$ 719	\$ -	\$ 719
Term Loan (Capital Lease)	\$ -	\$ -	\$ -

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.

Weekly Cash Flow (\$000's)	Week Ending	Week 1 04-Jun	Week 2 11-Jun	Week 3 18-Jun	Week 4 25-Jun	Week 5 02-Jul	Week 6 09-Jul	Week 7 16-Jul	Week 8 23-Jul	Week 9 30-Jul	9-Week Total
Collections											
Retail		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wholesale		-	-	-	-	-	-	-	-	-	-
Operating Disbursements											
Purchases		-	-	-	-	-	-	-	-	-	-
Operational Expenses		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Net Operating Cash Flow		-	-	-	-	-	-	-	-	-	-
Non-Operating Receipts (Disbursements)		-	-	-	-	-	-	-	-	-	-
Net Cash Flow		-	-	-	-	-	-	-	-	-	-
Opening Cash (Bank Indebtedness)		-	-	-	-	-	-	-	-	-	-
Ending Cash (Bank Indebtedness)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Term Loan (Capital Lease)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Post-Closing Transactions on Behalf of Purchasers											
Cash Held on Behalf of Purchasers - Opening		\$ 719	\$ 719	\$ 719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 719
Transfers from / (to) Purchasers		-	-	(719)	-	-	-	-	-	-	(719)
Receipts on Behalf of Purchasers		-	-	-	-	-	-	-	-	-	-
Disbursements on Behalf of Purchasers		-	-	-	-	-	-	-	-	-	-
Cash Held on Behalf of Purchasers - Closing		\$ 719	\$ 719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -


 Howard Schneider, CFO

June 6, 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 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 6th day of June 2017, consisting of the period from May 29 to July 30, 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 6th day of June 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 May 29 to July 30, 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 June 6, 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 May 29 to July 30, 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:

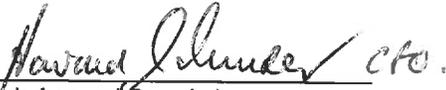
(a) Projected Cash Receipts

The projected cash receipts are estimated at NIL by management, based upon the sale of the assets.

(b) Projected Cash Disbursements

The projected cash disbursements are estimated at NIL based upon the sale of the assets;
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 6th day of June 2017.


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

Howard Schneider, 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 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 6th day of June 2017, consisting of the period from May 29 to July 30, 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.

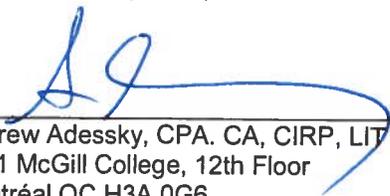
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

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 6th day June 2017.

Richter Advisory Group Inc. - Trustee

Per:


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

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

FORM 29 – ATTACHMENT
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the 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 May 29 to July 30, 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 June 6, 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 May 29 to July 30, 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 at NIL by management, based upon the sale of the assets.

(b) Projected Cash Disbursements

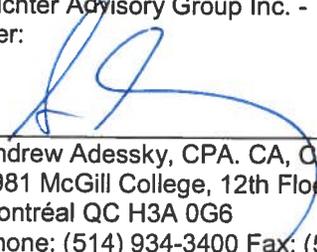
The projected cash disbursements are estimated at NIL based upon the sale of the assets;

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 6th day of June 2017.

Richter Advisory Group Inc. - Trustee

Per:



Andrew Adessky, CPA, CA, CIRP, LIT
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