

Court File No.

**QUEBEC
SUPERIOR COURT
(COMMERCIAL DIVISION)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
LAURA'S SHOPPE (P.V.) INC. (THE "APPLICANT")**

**PRE-FILING REPORT OF THE PROPOSED MONITOR
KPMG INC.**

DATED AUGUST 11, 2015

TABLE OF CONTENTS

INTRODUCTION.....	3
RESTRICTIONS AND SCOPE LIMITATIONS.....	4
KPMG’S QUALIFICATIONS TO ACT AS MONITOR.....	5
BACKGROUND INFORMATION	6
THE NOI CASH FLOW	8
OVERVIEW OF THE CF CASH FLOW	9
PROPOSED MONITOR ’S ASSESMENT OF THE CF CASH FLOW	11
CASH MANAGEMENT SYSTEM.....	12
PROPOSED DIP FINANCING	12
KEY EMPLOYEE RETENTION PLAN	14
COURT ORDERED CHARGES SOUGHT IN THE PROPOSED INITIAL ORDER	14
THE PROPOSED MONITOR’S PRELIMINARY OBSERVATIONS.....	15
APPENDIX A.....	17

INTRODUCTION

1. KPMG Inc. (“KPMG” or the “Proposed Monitor”) understands that Laura’s Shoppe (P.V.) Inc. (the “Company” or the “Applicant”) intend to bring an application before the Court seeking an initial order (the “Proposed Initial Order”) under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”) granting, *inter alia*, a stay of proceedings until September 7, 2015 and appointing KPMG as Monitor (if so appointed, the “Monitor”).
2. As noted below, the Company has, prior to the application for the Proposed Initial Order, commenced proceedings under the Notice of Intention to make a Proposal (“NOI”) provisions of the *Bankruptcy and Insolvency Act* (the “BIA”) In accordance with s. 11.6 of the CCAA, the Company’s application seeks to convert the proceedings under CCAA statute.
3. The proceedings to be converted under the CCAA will be referred to herein as the “CCAA Proceedings”.
4. The purpose of the present report is to provide this Honorable Court with information regarding the following:
 - a. KPMG’s qualifications to act as Monitor (if appointed) and an overview of KPMG’s involvement in this matter to date;
 - b. Background information regarding the Applicant and an overview of its restructuring plan;
 - c. Overview of the Company’s initial cash flow forecast filed in conjunction with the NOI;
 - d. Overview of the Company’s revised cash flow forecast for the period beginning on August 9 to November 28, 2015 (the “CF Cash Flow”) reflecting the impact of the proposed DIP Financing (as defined below);
 - e. The Proposed Monitor’s assessment of the CF Cash Flow;
 - f. Cash management system;
 - g. The proposed DIP Financing;

- h. The proposed Key Employee Retention Plan (“KERP”);
 - i. The proposed court-ordered charge sought by the Company in the Proposed Initial Order including:
 - i. The Administration Charge;
 - ii. The DIP Charge;
 - iii. The KERP Charge.
 - j. The Proposed Monitor’s preliminary observations regarding the Applicant’s request for relief which is sought by the CCAA application.
5. A more detailed description of the business operations of the Company and background of its restructuring efforts to date is provided in the motion for the issuance of an Initial Order dated August 11, 2015 filed in support of the Company’s application for relief under the CCAA (the “Motion”) as well as the affidavit of Mr. Kalman Fisher (the “Fisher Affidavit”) in support of the Motion. Certain information in respect of the Company is summarized below.

RESTRICTIONS AND SCOPE LIMITATIONS

6. In preparing this report, the Proposed Monitor has been provided with and has relied upon, unaudited financial information, books and records prepared by certain senior management of the Applicant (“**Senior Management**”), and discussions with Senior Management (collectively, the “**Information**”). Except as further described in this report:
- a. The Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* and accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

b. Some of the information referred to in this report consists of financial forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.

7. Future oriented financial information referred to in this report was prepared based on Senior Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections. Even if the assumptions materialize, the variations could be significant.

8. The information contained in this report is not intended to be relied upon by any prospective purchaser or investor in any transaction with the Applicant.

9. Unless otherwise stated, all monetary amounts contained in this report are expressed in Canadian dollars, which is the Applicant's common reporting currency.

KPMG'S QUALIFICATIONS TO ACT AS MONITOR

10. KPMG is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act (Canada)*. Neither KPMG nor any of its representatives have been at any time in the two preceding years a director, officer or employee of the Applicant or otherwise related to the Applicant or to any director or officer of the Applicant or a trustee (or related to any such trustee) under a trust indenture issued by the Applicant or any person related to the Applicant or the auditor of the Applicant.

11. KPMG is a wholly-owned subsidiary of KPMG LLP, a Canadian professional services firm providing, among other things, audit, tax and advisory services. KPMG LLP is the Canadian member firm of KPMG International Co-operative, a Swiss entity. The senior KPMG professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners, including Chartered Accountants, Chartered Insolvency and Restructuring Professionals and/or licensed Trustees in Bankruptcy (Canada), who have acted in restructurings and CCAA matters of a similar nature and scale in Ontario, Quebec and in other provinces in Canada.

12. The Proposed Monitor was appointed trustee acting *in re*: the Notice of Intention to make a proposal of the Applicant on July 31, 2015. Given KPMG’s qualifications and significant background knowledge of the business and financial status of the Applicant, the Applicant have requested that KPMG act as Monitor.

13. The Proposed Monitor has retained Fishman Flanz Meland Paquin LLP (“**FFMP**”) to act as its independent counsel.

14. KPMG has consented to act as Monitor of the Applicants should this Honourable Court grant the Applicant’s request to commence the CCAA Proceedings.

BACKGROUND INFORMATION

15. The Applicant is a women’s clothing retailer operating 162 stores under the banners Laura, Laura Petites, Laura Plus, Melanie Lyne and liquidation stores in nine Canadian provinces. The breakdown by Province of the Applicant’s store is as follows:

Retail Stores by Province										
	ON	QC	AB	BC	MB	NS	NF	SK	NB	Total
# of stores	80	37	19	12	6	3	2	2	1	162

16. The Applicant also sells its merchandises through two e-commerce sites www.laura.ca and www.melanielyne.com.

17. The Applicant employs approximately 2,330 people across Canada. The breakdown by Province of the Applicant’s employees is as follows:

Employees by Province											
	ON	QC	AB	BC	MB	NS	NF	SK	NB	Total	
# of Store Level Employees	1071	417	275	136	69	28	24	27	14	2061	
# of Head Office Employees	8	259	0	1	1	0	0	0	0	269	
Total	1079	676	275	137	70	28	24	27	14	2330	

18. The Applicant’s stores are located in malls. Approximately 80% of the Applicant’s stores are leased from national landlords. The Applicant’s stores by landlord are as follows:

Retail Stores by Landlords										
	Cadillac Fairview	Ivanhoe Cambridge	Riocan	Oxford Properties	20VIC	Morguard	Smartcentres	Primaris	Other	Total
# of stores	39	22	21	15	14	10	5	4	32	162

19. As at July 4, 2015, the Company had total assets with a book value of approximately \$72.5 million, and approximately \$123.9 million of liabilities, according to the Company's internal financial statements.

20. The Applicant's primary operating lender is Salus Capital Partners LLC ("**Salus**") a Delaware limited liability company having its head office in Needham, Massachusetts. As at August 6, 2015, Salus is owed approximately \$19 million pursuant to a revolving facility and approximately \$2.85 million pursuant to a term loan, all of which were secured by movable hypothec ("**Hypothec**") on the Company's assets and general security agreement ("**GSA**") (together with the Hypothec the "**Security**").

21. The total liabilities of the Company as at July 4, 2015, are as follow (in 000's):

LAURA'S SHOPPE (P.V.) INC.	
Schedule of Total Liabilities as at July 4, 2015	
Short-term	
Bank Operating Line	21,335
AP Trade and Accrued Liabilities	36,609
GST & PST	1,888
Corporate Tax Payable	20
Gift Cards Payable	2,513
	62,365
Long-term debt	
Long Term Debt	6,197
Deferred Lease Liabilities	5,988
Deferred Lease Inducements	17,023
Loan Payable to Shareholder	32,352
	61,560
Total	123,925

22. On August 5, 2015, Salus advised the Company that it was not prepared to fund the Company's cash flow requirements going forward.

23. On August 7, 2015, Salus sent a Motion Seeking the Appointment of a Receiver (the “Salus Motion”) to the Company and the Proposed Monitor with the view of implementing an immediate orderly liquidation process of all of the Applicant’s stores.

24. The Cadillac Fairview Corporation Limited (“CF”) is the Applicant’s largest landlord (39 stores). On August 10, 2015, CF and the Applicant entered into a binding agreement, pursuant to which CF, subject to the Court’s issuance of the Order sought herein, will provide an interim financing facility to the Applicant (the “DIP Financing”).

25. CF, with the assistance of its advisors, Price Waterhouse Coopers (“PWC”), has been reviewing the CF Cash Flow with the view of offering the DIP Financing which would allow the Applicant to fund its cash requirements related to its restructuring plan during the NOI proceedings.

26. The Companies have indicated that their initial restructuring plan includes:

- a. Disclaiming leases for 20 locations and negotiating rent reductions for a further 26 locations;
- b. Generating overhead reductions; and
- c. Obtaining a new credit facility to refinance its operations.

THE NOI CASH FLOW

27. On August 7, 2015, the Applicant prepared and filed, in accordance with the requirements of the BIA, a cash flow projection for the period of August 2, 2015 to August 31, 2015 (the “NOI Cash Flow”).

28. The NOI Cash Flow’s main assumptions include:

- a. That the Applicant disclaims leases for 46 Stores;
- b. That the Applicant generate certain overhead reductions;

- c. That the Applicant purchases merchandise on a COD basis for the upcoming 2015 fall season;
- d. That the Applicant was no longer supported by its senior lender, Salus; and
- e. That the Applicant was in discussions with a potential lender to secure an alternative credit facility.

29. The NOI Cash Flow showed that the Applicant was cash flow neutral during the period covered.

OVERVIEW OF THE CF CASH FLOW

30. Following the intention of CF to provide interim financing, the Applicant reviewed certain assumptions underlying their cash requirements.

31. The Applicant, with the assistance of its financial advisor, Richter Advisory Group Inc. (“Richter”), has prepared the CF Cash Flow which covers the 16-week period ending November 28, 2015 (the “Cash Flow Period”). A copy of the CF Cash Flow is attached to this Report as Appendix “A”.

32. The following table summarizes the CF Cash Flow:

LAURA'S SHOPPE (P.V.) INC.	
Summary Projected Cash Flow - In Thousands	
For the period beginning August 9th 2015 and ending November 28th 2015	
Sources of Cash	
Net Sales (Retail and Ecomm)	
Go Forward Inventory	76,372
Sales Tax Collected	9,044
DIP Financing	9,800
Total Cash Collected	95,216
Uses of Cash	
Trade and Non-Trade	
Merchandise Inventory	38,075
Recurring	
Payroll and DAS	17,579
Occupancy (Rent & Utilities)	14,839
G&A and Non-trade expenses	11,272
Critical Vendor Payments	300
Interest/Debt Service	
Salus - Revolver Interest (10%)	-
DIP Interest	305
DIP Interest	279
Sales Taxes Remittance / (Collection)	2,526
Professional Fees (Restructuring)	2,000
Capex	-
Vendor Deposits	300
Total Uses of Cash	87,474
Projected Net Cash Flow	7,742
Projected Cash Balance	
Beginning of Period	-
Net Cash Flows	7,742
End of Period	7,742

33. With respect to the CF Cash Flow:

- a. The Applicant expects to have nil cash resources at the beginning of the Cash Flow Period;
- b. During the Cash Flow Period, the Applicant forecasts to generate aggregate cash inflows of approximately \$95.2 million, mainly consisting of:
 - i. Cash receipts from operations (retail and on-line) of \$76.4 million; and

- ii. Advances under the proposed DIP Financing of \$9.8 million, including an immediate installment of \$4 million (tranche A) in the first week of the Cash Flow Period and subsequent installments during the remainder of the Cash Flow Period.
 - c. During the Cash Flow Period, the Applicant forecasts to incur cash outflows of approximately \$87.5 million;
 - d. The Applicant projects to have cash resources at the end of the Cash Flow Period in the amount of \$7.7 million.
34. The CF Cash Flow reflects that the Applicant intends to disclaim leases for 20 locations and negotiate rent reductions for a further 26 locations (compared to the assumption of disclaiming 46 leases inherent in the NOI Cash Flow);
35. In the context of its restructuring, the Company intends to put in place a new credit facility to allow the repayment of CF and of the Company's secured lender, Salus.
36. Assuming the Applicant has access to the DIP Financing, the CF Cash Flow indicates that the Applicant has reasonable liquidity to fund its requirements over the Cash Flow Period.

PROPOSED MONITOR 'S ASSESMENT OF THE CF CASH FLOW

37. The Proposed Monitor has assessed the CF Cash Flow as to its reasonableness as required by Section 23(1)(b) of the CCAA. Pursuant to this standard, the Proposed Monitor's assessment of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussion related to information supplied to it by Senior Management and employees of the Applicant. The Proposed Monitor's procedures with respect to the CF Cash Flow Assumptions were limited to evaluating whether they were consistent with the purpose of the CF Cash Flow. The Proposed Monitor also reviewed the support provided by Senior Management for the CF Cash Flow Assumptions and the preparation and presentation of the CF Cash Flow.
38. Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe, in all material respects that:

- a. The CF Cash Flow Assumptions are not consistent with the purpose of the CF Cash Flow;
- b. As at the date of this Report, the CF Cash Flow Assumptions are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the CF Cash Flow given the CF Cash Flow Assumptions; or
- c. The CF Cash Flow does not reflect the CF Cash Flow Assumptions.

CASH MANAGEMENT SYSTEM

Salus cash management system

39. Under the terms of the credit agreements with Salus, the Applicant's cash management system ("Salus Cash Management System") involves the use of a "lock-box" facility, involving two Canadian chartered banks (Bank of Montreal and Bank of Nova Scotia) whereby the daily deposits of the various stores are swept by Salus as a reduction of their advances.

40. The Applicant's disbursements were made from a separate checking account which is funded by Salus pursuant to funding requests.

Proposed Cash Management System by CF

41. As can be seen from the DIP Financing agreement, the Salus Cash Management System shall be terminated following the rendering of the Order hereby be sought by the Applicant.

42. Thereafter, the Applicant will transfer funds from such Bank of Montreal account to an account held at the Bank of Nova Scotia (the "Deposit Account") and CF will advance funds to the Deposit Account. The proposed Cash Management System will be under the control of KPMG (either in its capacity as Trustee or Interim Receiver to be appointed), under the supervision of CF's financial advisor, PWC.

PROPOSED DIP FINANCING

43. As noted above, on August 10, 2015, the Applicant and CF entered into the DIP Financing agreement. The following summarizes the salient terms and conditions of the DIP Financing:

- a. Maximum authorized amount of \$10 million, which is to be disbursed in accordance with the CF Cash Flow in two tranches – Tranche A in the maximum amount of \$4 million; Tranche B in the maximum amount of \$10 million less any amounts disbursed under Tranche A;
 - b. Maturity date of November 28, 2015;
 - c. Annual interest rate of 12%, increased by 2% per annum in the event of overdue payments;
 - d. Structuring fee of up to 3% of the DIP Financing;
 - e. The granting by the Court of a first ranking security interest (the “DIP Charge”), in the amount of \$12.5 million to secure the DIP Financing.
44. Senior Management are of the view that the DIP Financing is critical in order for the Applicant to pursue its restructuring efforts. The CF Cash Flow supports this view.
45. With respect to the Applicant obtaining urgently the DIP Financing, the Proposed Monitor observes the following:
- a. The Applicant requires immediate funding of \$4 million in order to pay its employees for wages earned in the week ending August 7, 2015, as well as to purchase urgently required goods. In the event the Applicant is unable to make these disbursements, its operations and the possibility of successfully completing a restructuring will be seriously impaired;
 - b. There has been a very short period of time since the Applicant learned that it was unable to rely on its existing lender, Salus;
 - c. Due to the time constraints and the urgent need for financing facing the Applicant, its financing options were limited. However, the process followed by Senior Management and Richter did result in the identification of a potential source of interim financing from CF.

46. The Proposed Monitor is of the view that significant near term funding of the Applicant is required over the Cash Flow Period. In the first week of the Cash Flow Period, the required funding is estimated at \$4 million. Total funding over the entire Cash Flow Period is \$9.8 million.

47. It is the Proposed Monitor's view that the DIP Financing represents the best opportunity for the Applicant to obtain its required funding.

KEY EMPLOYEE RETENTION PLAN

48. The Company's Senior Management have identified 18 employees (the "**KERP Participants**") critical to the Company's restructuring plan.

49. In order to retain the KERP Participants as full time employees, the Company has requested the KERP charge.

50. The proposed KERP charge has a total cost of approximately \$0.5 million. The timing of the payout has not been determined yet.

51. The Proposed Monitor has not reviewed the terms of the proposed KERP with Senior Management because of severe time constraints, however the Proposed Monitor considers the amount of the proposed KERP Charge to be reasonable.

COURT ORDERED CHARGES SOUGHT IN THE PROPOSED INITIAL ORDER

52. The Proposed Initial Order provides for three Court-ordered priority charges (together, the "**Charges**").

Administration Charge

53. The Proposed Initial Order provides for a charge in favor of counsel to the Applicant, the Proposed Monitor, Richter and FFMP, as security for their respective fees and disbursements relating to services rendered in respect of the Applicant up to a maximum of \$250,000 (the "**Administration Charge**").

54. The Proposed Monitor is of the view that the Administration Charge is reasonable and appropriate in the circumstances having regard to the complexity of the proceedings, anticipated

work levels of the applicable professional firms and the size of similar charges in comparable cases.

DIP Charge

55. It is proposed that advances under the DIP Financing be secured by a Court-ordered first ranking charge on all of the assets of the Applicant in the amount of \$12.5 million (ie: the DIP Charge). The DIP Financing agreement, as drafted, requires that the DIP Charge be granted before any advances are made thereunder.

56. As discussed above, the Proposed Monitor is of the view that the DIP Financing is necessary for the Applicant to maintain liquidity during the Cash Flow Period and, given that the DIP Charge is a condition of the DIP Financing being advanced, the Proposed Monitor is of the view that the DIP Charge is reasonable and appropriate in the circumstances.

Priority of Charges

57. The Proposed Initial Order provides for the following priority of the Charges:

- a. First – the DIP Charge;
- b. Second – the Administration Charge;
- c. Third – the KERP Charge;

58. Under the Proposed Initial Order, the Charges will have a charge over all of the present and future assets, property or undertaking of the Applicant. The Charges will rank subordinate to all other security interests, liens, trusts, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”), except Salus’s presently held security.

THE PROPOSED MONITOR’S PRELIMINARY OBSERVATIONS

59. The Proposed Monitor respectfully makes the following preliminary observations and comments to this Honourable Court:

60. The Proposed Monitor has been involved in this matter for a limited period of time. However, in that time, KPMG has received certain amount of background information which has allowed it to ascertain the general status and financial circumstances of the Company;

61. Considering the Company's urgent need for significant short term funding, including the payment of this week payroll and the purchase of inventories, as well as the overall funding requirements during the Cash Flow Period, the Company is unlikely to be in a position to pursue its restructuring plan without obtaining the contemplated DIP Financing.

62. The Charges appear reasonable in the circumstances and, in the view of the Proposed Monitor, enhance the probability that the Company will be able to make a viable plan of arrangement;

63. The Proposed Monitor has reviewed the Applicant's filing materials and has consented to act as the Monitor of the Applicant should the Court see fit to grant the relief sought by the Applicant.

All of which is respectively submitted to this Honourable Court this 11th day of August, 2015.

**KPMG INC., in its capacity as the
Proposed Monitor of Laura's Shoppe (P.V.) Inc.**

Per:  Dev A. Coossa, CIRP, Trustee
Partner

APPENDIX A

Summary Projected Cash Flow - In Thousands
Week:

Week ending	Forecast Week28 15-Aug-15	Forecast Week29 22-Aug-15	Forecast Week30 29-Aug-15	Forecast Week31 5-Sep-15	Forecast Week32 12-Sep-15	Forecast Week33 19-Sep-15	Forecast Week34 26-Sep-15	Forecast Week35 3-Oct-15	Forecast Week36 10-Oct-15	Forecast Week37 17-Oct-15
-------------	------------------------------	------------------------------	------------------------------	-----------------------------	------------------------------	------------------------------	------------------------------	-----------------------------	------------------------------	------------------------------

Sources of Cash

Net Sales (Retail and Ecomm)	\$ 1,620	\$ 5,130	\$ 5,130	\$ 5,050	\$ 4,820	\$ 5,220	\$ 4,760	\$ 4,660	\$ 4,610	\$ 4,500
Go Forward Inventory	\$ 186	\$ 591	\$ 591	\$ 594	\$ 567	\$ 615	\$ 560	\$ 549	\$ 530	\$ 517
Sales Tax Collected	\$ 4,000	\$ -	\$ 5,000	\$ -	\$ 800	\$ -	\$ -	\$ -	\$ -	\$ -
DIP Financing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Cash Collected	\$ 5,806	\$ 5,721	\$ 10,721	\$ 5,644	\$ 6,187	\$ 5,835	\$ 5,320	\$ 5,209	\$ 5,140	\$ 5,017

Uses of Cash

Trade and Non-Trade Merchandise Inventory	\$ -	\$ 5,360	\$ 4,064	\$ 3,060	\$ 3,604	\$ 4,487	\$ 1,418	\$ 1,459	\$ 852	\$ 3,958
Recurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll & DAS	\$ 1,582	\$ 646	\$ 1,582	\$ 646	\$ 1,567	\$ 640	\$ 1,507	\$ 616	\$ 1,528	\$ 624
Occupancy (Rent & Utilities)	\$ -	\$ -	\$ -	\$ 5,048	\$ -	\$ -	\$ -	\$ 4,891	\$ -	\$ -
G&A and Non-trade expenses	\$ 733	\$ 741	\$ 741	\$ 648	\$ 640	\$ 638	\$ 622	\$ 622	\$ 745	\$ 741
Critical Vendor Payments	\$ -	\$ 300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest/Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salus - Revolver Interest (10%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DIP Fees	\$ 200	\$ -	\$ 102	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ -
DIP Interest	\$ -	\$ -	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ 81	\$ -	\$ -
Sales Taxes Remittance / (Collection)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 508	\$ -	\$ -
Professional Fees (Restructuring)	\$ 250	\$ 250	\$ 200	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100
Capex	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vendor Deposits	\$ 300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Uses of Cash	\$ 3,065	\$ 7,296	\$ 6,709	\$ 9,502	\$ 5,912	\$ 5,865	\$ 3,647	\$ 8,280	\$ 3,225	\$ 5,423
Projected Net Cash Flow	\$ 2,741	\$ (1,575)	\$ 4,013	\$ (3,858)	\$ 275	\$ (30)	\$ 1,673	\$ (3,071)	\$ 1,915	\$ (406)

Projected Cash Balance

Beginning of Week	\$ -	\$ 2,741	\$ 1,166	\$ 5,179	\$ 1,321	\$ 1,596	\$ 1,565	\$ 3,238	\$ 167	\$ 2,082
Net Cash Flow	\$ 2,741	\$ (1,575)	\$ 4,013	\$ (3,858)	\$ 275	\$ (30)	\$ 1,673	\$ (3,071)	\$ 1,915	\$ (406)
End of Week	\$ 2,741	\$ 1,166	\$ 5,179	\$ 1,321	\$ 1,596	\$ 1,565	\$ 3,238	\$ 167	\$ 2,082	\$ 1,676

Summary Projected Cash Flow - In Thousands
Week:

	Week ending						Forecast
	11	12	13	14	15	16	18 Weeks Total
	24-Oct-15	31-Oct-15	7-Nov-15	14-Nov-15	21-Nov-15	28-Nov-15	
	Forecast Week38	Forecast Week39	Forecast Week40	Forecast Week41	Forecast Week42	Forecast Week43	
Sources of Cash							
Net Sales (Retail and Ecomm)	\$ 4,660	\$ 4,310	\$ 5,018	\$ 6,133	\$ 4,814	\$ 5,936	\$ 76,372
Go Forward Inventory	\$ 536	\$ 495	\$ 622	\$ 760	\$ 596	\$ 735	\$ 9,044
Sales Tax Collected	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,800
DIP Financing	\$ 5,196	\$ 4,805	\$ 5,640	\$ 6,893	\$ 5,410	\$ 6,672	\$ 95,216
Total Cash Collected	\$ 10,692	\$ 9,610	\$ 11,280	\$ 13,786	\$ 10,820	\$ 13,243	\$ 190,432
Uses of Cash							
Trade and Non-Trade							
Merchandise Inventory	\$ 3,718	\$ 1,029	\$ 381	\$ 2,627	\$ 1,198	\$ 860	\$ 38,075
Recurring							
Payroll & DAS	\$ 1,548	\$ 632	\$ 1,572	\$ 642	\$ 1,595	\$ 652	\$ 17,579
Occupancy (Rent & Utilities)	\$ -	\$ -	\$ 4,900	\$ -	\$ -	\$ -	\$ 14,839
G&A and Non-trade expenses	\$ 747	\$ 734	\$ 730	\$ 730	\$ 730	\$ 730	\$ 11,272
Critical Vendor Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300
Interest/Debt Service							
Salus - Revolver Interest (10%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DIP Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 305
DIP Interest	\$ -	\$ 89	\$ -	\$ -	\$ -	\$ 89	\$ 279
Sales Taxes Remittance / (Collection)	\$ -	\$ 702	\$ -	\$ -	\$ -	\$ 1,316	\$ 2,526
Professional Fees (Restructuring)	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 2,000
Capex	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vendor Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300
Total Uses of Cash	\$ 6,113	\$ 3,286	\$ 7,682	\$ 4,098	\$ 3,623	\$ 3,746	\$ 87,474
Projected Net Cash Flow	\$ (917)	\$ 1,518	\$ (2,042)	\$ 2,794	\$ 1,787	\$ 2,925	\$ 7,742
Projected Cash Balance							
Beginning of Week	\$ 1,676	\$ 759	\$ 2,277	\$ 235	\$ 3,029	\$ 4,817	\$ -
Net Cash Flow	\$ (917)	\$ 1,518	\$ (2,042)	\$ 2,794	\$ 1,787	\$ 2,925	\$ 7,742
End of Week	\$ 759	\$ 2,277	\$ 235	\$ 3,029	\$ 4,817	\$ 7,742	\$ 7,742

		Estimated Net Realization															
Notes		15-Aug	22-Aug	29-Aug	05-Sep	12-Sep	19-Sep	26-Sep	03-Oct	10-Oct	17-Oct	24-Oct	31-Oct	07-Nov	14-Nov	21-Nov	28-Nov
	Projected Ending Inventory (at cost)	\$ 20,255	\$ 22,638	\$ 23,839	\$ 24,599	\$ 25,932	\$ 27,986	\$ 27,431	\$ 26,941	\$ 26,088	\$ 27,957	\$ 29,603	\$ 28,950	\$ 27,275	\$ 27,157	\$ 26,293	\$ 24,672
	NOLV % - Per Appraisal Report	94.4%	94.4%	94.4%	94.8%	94.8%	94.8%	94.8%	98.8%	98.8%	98.8%	98.8%	98.8%	101.1%	101.1%	101.1%	101.1%
	NOLV	19,121	21,370	22,504	23,320	24,584	26,531	26,005	26,618	25,736	27,622	29,248	28,603	27,575	27,455	26,582	24,944
	Projected Cash Balance	2,741	1,166	5,179	1,321	1,596	1,565	3,238	167	2,082	1,676	759	2,277	235	3,029	4,817	7,742
	Estimated Lease Equity	1,464	1,464	1,464	1,444	1,444	1,444	1,444	1,423	1,423	1,423	1,423	1,423	1,402	1,402	1,402	1,402
	Total Realizable Assets	23,327	24,000	29,147	26,084	27,623	29,540	30,687	28,208	29,231	30,721	31,430	32,303	29,212	31,887	32,800	34,088
	Less Priority Charges																
4	Admin Charge	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750
4	KERP Charge	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500
4	D&O Charge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	30-Day Goods (not applicable)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Unpaid Duties (GIT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	DAS Obligations	600	600	600	600	600	600	600	600	600	600	600	600	600	600	600	600
7	Employees (\$81.3 of the BIA)	2,347	2,847	2,347	2,847	2,347	2,847	2,347	2,847	2,347	2,847	2,347	2,847	2,347	2,847	2,347	2,847
8	Gift Cards (\$1.3M)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Post-filing sales taxes	86	126	307	30	189	295	639	136	511	547	629	280	261	667	1,047	397
		4,283	4,823	4,504	4,727	4,386	4,992	4,836	4,833	4,708	5,244	4,826	4,977	4,458	5,364	5,244	4,994
	Net Realization Available for DIP Lender	19,043	19,177	24,643	21,357	23,237	24,548	25,851	23,375	24,524	25,477	26,604	27,326	24,754	26,533	27,557	29,093
10	DIP Loan Balance	4,000	4,000	9,000	9,000	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800
	Excess Funds to Reduce Loans	15,043	15,177	15,643	12,357	13,437	14,748	16,051	13,575	14,724	15,677	16,804	17,526	14,954	16,733	17,757	19,293
11	Salus Loan Position	(17,294)	(17,294)	(17,294)	(17,294)	(17,492)	(17,492)	(17,492)	(17,492)	(17,729)	(17,729)	(17,729)	(17,729)	(17,975)	(17,975)	(17,975)	(17,975)
	Accrued Interest on Salus Loan	(17,294)	(17,294)	(17,294)	(17,492)	(17,492)	(17,492)	(17,492)	(17,729)	(17,729)	(17,729)	(17,729)	(17,975)	(17,975)	(17,975)	(17,975)	(17,975)
	Total Salus Position	(2,251)	(2,117)	(1,651)	(5,135)	(4,055)	(2,744)	(1,441)	(4,154)	(3,006)	(2,052)	(925)	(448)	(3,020)	(1,252)	(218)	1,319
	Guarantees	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
	K. Fisher Collateralization and Personal	749	883	1,349	(2,135)	(1,055)	256	1,559	(1,154)	(6)	948	2,075	2,552	(20)	1,748	2,782	4,319
	Estimated Surplus / (Deficit)	\$ 749	\$ 883	\$ 1,349	\$ (2,135)	\$ (1,055)	\$ 256	\$ 1,559	\$ (1,154)	\$ (6)	\$ 948	\$ 2,075	\$ 2,552	\$ (20)	\$ 1,748	\$ 2,782	\$ 4,319

Note 1 - Ending Inventory

- Excludes all inventory in-transit.

Note 2 – Net Orderly Liquidation Value (NOLV)

- The NOLV or net recovery reflects the NOLV percentages projected by Tiger Valuation, in their inventory appraisal issued July 24, 2015 based on inventory as at May 30, 2015.
- We note that the NOLV excludes realizations from assets other than inventory, and excluded various ineligible inventories.

Note 3 – Estimated Lease Equity

- The Company obtained a Real Estate valuation report from Oberfeld Snowcap valuing the Company's real estate equity at ~\$38M. Based on recent experience, the liquidation value of such a portfolio in an insolvency context could range between 5% and 15%.
- For conservatism, the analysis above excludes the Cadillac Fairview leases of \$9M and contemplates a 5% recovery rate.

Note 4 – Contemplated Charges

- The analysis contemplates an Administrative Charge that would rank ahead of Salus of \$750K as requested in Salus' Motion to Appoint a Receiver.
- Pursuant to a CCAA filing, the Company has requested a \$500K Key Employee Retention Plan Charge. The charge would cover 18 employees.
- It is assumed that there will be no D&O charge.

Note 5 – 30 Day Goods and Unpaid Duties

- Under an NOI or a CCAA, the 30 day goods priority are not applicable. In addition, as it is assumed that all inventory is paid COD and that inventory in transit is excluded from the analysis, the unpaid duties would therefore also be excluded from the analysis.

Note 6- Deductions at source (DAS)

- The DAS of \$600K relates to ongoing DAS obligations throughout the period. This balance remains a super-priority in an insolvency proceeding.

Note 7 – Employee Super-Priorities

- This charge is calculated as follows:
 - 688 full time employees * \$2K = \$1,376K
 - Estimated vacation for part-time employees = \$511K
 - 1 week of 2 weeks of part time employee salaries = \$500K or \$1,000K.

Note 8 – Post Filing Sales Taxes

- Pre-filing sales taxes were excluded as they are not a priority claim. It is assumed that they remain stayed under a CCAA filing.

Note 9 – DIP Loan

- Represents the DIP loan balance as funded by Cadillac Fairview.